

ANNUAL REPORT

OF THE

COMPTROLLER OF THE CURRENCY

TO THE


THIRD SESSION OF THE FORTY-FIFTH CONGRESS,

OF THE

UNITED STATES.

DECEMBER 2, 1878.

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REPORT

OF

THE COMPTROLLER OF THE CURRENCY.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, November 25, 1878.

I have the honor to submit for the consideration of Congress the sixteenth annual report of the Comptroller of the Currency, in compliance with section three hundred and thirty-three of the Revised Statutes of the United States. This section provides that the Comptroller shall make annually a report to Congress at the commencement of its session exhibiting—

1st. A summary of the state and condition of every association from which reports have been received during the preceding year, at the several dates to which such reports refer, with an abstract of the whole amount of banking capital returned by them, of the whole amount of their debts and liabilities, the amount of circulating notes outstanding, and the total amount of means and resources, specifying the amount of lawful money held by them at the times of their several returns, and such other information in relation to such associations as, in his judgment, may be useful.

2d. A statement of the associations whose business has been closed during the year, with the amount of their circulation redeemed and the amount outstanding.

3d. Any amendment to the laws relative to banking by which the system may be improved and the security of the holders of its notes and other creditors may be increased.

This section further provides that a statement shall be prepared by the Comptroller, exhibiting, under appropriate heads, the resources and liabilities and condition of the banks, banking companies, and savings-banks organized under the laws of the several States and Territories; such information to be obtained by the Comptroller from the reports made by such banks, banking-companies, and savings-banks to the legislatures or officers of the different States and Territories, and where such reports cannot be obtained, the deficiency to be supplied from such other authentic sources as may be available.

This last provision became a law by act of February 19, 1873, but owing to the defective legislation of the several States it has thus far been found impracticable to procure reliable statistics showing the condition of all the banks organized under State laws. All private bankers and banking associations, however, of whatever nature other than national, are required by law, for purposes of taxation, to make semi-annual returns to the Commissioner of Internal Revenue of the average amount of their capital and deposits. From these returns the following table has been compiled in this Office, exhibiting in a concise form, by geographical divisions, the total average

capital and deposits of all State and savings-banks and private bankers in the country, for the six months ending May 31, 1878:

Geographical divisions.	State banks and trust companies.			Private bankers.			Savings-banks with capital.			Savings-banks without capital.	
	No.	Capital.	Deposits.	No.	Capital.	Deposits.	No.	Capital.	Deposits.	No.	Deposits.
		Millions.	Millions.		Millions.	Millions.		Millions.	Millions.		Millions.
New England States.	42	8. 19	15. 06	71	2. 86	3. 23	1	0. 07	1. 14	441	403. 43.
Middle States.....	217	42. 45	122. 10	916	34. 48	61. 92	3	0. 16	1. 37	190	358. 68
Southern States.....	233	27. 38	30. 67	280	7. 30	13. 68	4	0. 88	1. 28	3	2. 14
Western States and Territories.....	361	46. 33	61. 65	1, 589	33. 16	105. 00	15	2. 13	22. 39	34	39. 05
United States....	853	124. 35	229. 48	2, 856	77. 80	183. 83	23	3. 24	26. 18	668	803. 30

The capital of the 2,056 national banks in operation on June 29, 1878, as will be seen by a subsequent table, was \$470,393,366, not including surplus, which latter fund amounted at that date to more than 118 millions; while the average capital of all the State banks, private banks, and savings-banks having capital stock, for the six months ending May 31 previously, was, as seen below, but \$205,382,832; which amount is considerably less than one-half that of the national banks. The net deposits of the national banks were \$677,159,298, while the average deposits of all other banks and bankers, including savings-banks, were \$1,242,794,903. The average deposits for the same period of 668 savings-banks having no capital stock were \$803,299,345.

The table below exhibits the aggregate average capital and deposits for the period named of all banks other than national, together with the capital and deposits of the national banks on June 29 following:

Geographical divisions.	State banks, savings-banks, private bankers, &c.			National banks.			Total.		
	No.	Capital.	Deposits.	No.	Capital.	Deposits.	No.	Capital.	Deposits.
		Millions.	Millions.		Millions.	Millions.		Millions.	Millions.
New England States.	555	11. 12	422. 86	542	166. 52	128. 83	1, 097	177. 64	551. 69
Middle States.....	1, 326	77. 09	544. 07	634	177. 18	374. 89	1, 960	254. 27	918. 96
Southern States.....	520	35. 55	47. 77	176	31. 49	35. 94	696	67. 04	83. 71
Western States and Territories.....	1, 999	81. 62	228. 09	704	95. 20	137. 50	2, 703	176. 82	365. 59
United States.....	4, 400	205. 38	1, 242. 79	2, 056	470. 39	677. 16	6, 456	675. 77	1, 919. 95

From this table it will be seen that the total number of banks and bankers in the country at the dates named was 6,456, with a total banking capital of \$675,776,198, and total deposits of \$1,919,954,201.

Tables similar to the foregoing for previous periods, together with other tables giving the assets and liabilities of State institutions during the past year, so far as they could be obtained from the official reports of the several States, will be found in the appendix.

A table arranged by States and principal cities, giving the number, capital and deposits, and the tax on capital and deposits, of all banking institutions other than national, for the six months ending May 31, 1878, will be found on page 54 of this report. Similar tables for previous years are printed in the appendix.

The total number of national banks organized, from the establishment of the national banking system on February 25, 1863, to November 1 of the present year, is 2,400. Of these, 273 have gone into voluntary liquidation by vote of shareholders owning two-thirds of their respective capitals, and 74 have been placed in the hands of receivers for the pur-

pose of closing up their affairs, leaving 2,053 in existence on November 1 of this year. Included in the number organized are nine national gold banks, in the State of California, with an aggregate capital of \$4,300,000, and circulation of \$1,468,920, which redeem their circulating-notes in gold coin at their places of issue and in the city of San Francisco.

During the past year twenty-eight banks have been organized, with an authorized capital of \$2,775,000, to which \$1,598,800 in circulating-notes has been issued. Fifteen banks have failed within this period, having an aggregate capital of \$2,712,500, and forty-one banks, with a total capital of \$5,200,000, have voluntarily discontinued business.

The following table exhibits the resources and liabilities of the banks on the 1st day of October, 1878, the returns from New York, from Boston, Philadelphia, and Baltimore, from the other reserve cities, and from the remaining banks of the country, being tabulated separately:

	New York City.	Boston, Phil- adelphia, and Balti- more.	*Other re- serve cities.	Country banks.	Aggregate.
	47 banks.	99 banks.	85 banks.	1,822 banks.	2,053 banks.
RESOURCES.					
Loans and discounts				\$430, 184, 396	\$830, 521, 542
On U. S. bonds on demand	\$7, 003, 085	\$1, 140, 581	\$735, 243		
On other stocks, bonds, &c., on demand	57, 904, 202	19, 766, 710	7, 874, 762		
Payable in gold	6, 752, 181	3, 053	1, 247, 996		
On single-name paper without other security	17, 297, 474	10, 583, 112	6, 699, 583		
All other loans	80, 629, 038	120, 030, 184	62, 669, 942		
Overdrafts	130, 973	81, 090	347, 495	2, 907, 350	3, 466, 908
Bonds for circulation	24, 195, 500	50, 113, 200	23, 076, 800	250, 171, 150	347, 556, 650
Bonds for deposits	26, 715, 550	6, 402, 300	3, 990, 000	10, 829, 000	47, 936, 850
U. S. bonds on hand	11, 463, 900	7, 903, 450	6, 005, 850	21, 412, 400	46, 785, 600
Other stocks and bonds	9, 193, 664	3, 726, 212	2, 552, 158	21, 387, 501	36, 859, 535
Due from reserve agents		16, 375, 643	12, 684, 211	56, 023, 565	85, 083, 419
Due from other national banks ..	11, 366, 000	8, 636, 970	4, 466, 954	17, 022, 995	41, 492, 919
Due from other banks and bank- ers	2, 981, 297	894, 272	2, 470, 311	5, 968, 818	12, 314, 698
Real estate, furniture and fix- tures	9, 465, 820	7, 082, 539	4, 825, 685	25, 328, 432	46, 702, 476
Current expenses	995, 333	780, 220	731, 401	3, 765, 613	6, 272, 567
Premiums	1, 767, 167	1, 021, 048	608, 474	3, 738, 047	7, 134, 736
Checks and other cash items	1, 765, 188	874, 554	857, 598	7, 485, 093	10, 982, 433
Exchanges for clearing-house	62, 454, 792	15, 148, 067	4, 769, 679		82, 372, 538
Bills of other national banks	1, 560, 623	2, 523, 054	2, 195, 325	10, 650, 719	16, 929, 721
Fractional currency	67, 703	36, 487	55, 171	356, 600	515, 661
Specie	13, 294, 602	5, 987, 489	3, 417, 524	7, 988, 991	30, 688, 606
Legal-tender notes	14, 893, 468	8, 300, 930	11, 154, 895	30, 079, 307	64, 428, 600
U. S. certificates of deposit	21, 660, 000	7, 370, 000	2, 665, 000	995, 000	32, 690, 000
Five per cent. redemption fund ..	1, 073, 505	2, 178, 355	980, 741	10, 972, 940	15, 205, 541
Due from U. S. Treasury	147, 702	265, 303	108, 187	816, 941	1, 338, 133
Totals	384, 778, 767	297, 224, 523	167, 190, 985	918, 084, 858	1, 767, 279, 133
LIABILITIES.					
Capital stock	53, 800, 000	78, 526, 310	40, 725, 500	293, 095, 626	466, 147, 436
Surplus fund	15, 920, 230	19, 968, 943	10, 862, 787	70, 145, 820	116, 897, 780
Undivided profits	8, 659, 800	3, 899, 816	3, 323, 613	25, 052, 984	40, 936, 213
National-bank notes outstanding ..	20, 025, 861	42, 986, 571	19, 658, 749	219, 216, 911	301, 888, 092
State bank notes outstanding	73, 339	80, 757	4, 235	255, 582	413, 913
Dividends unpaid	190, 705	1, 037, 472	188, 997	1, 701, 216	3, 118, 390
Individual deposits	172, 441, 669	108, 863, 331	62, 156, 122	276, 775, 055	620, 236, 177
U. S. deposits	26, 090, 297	6, 255, 785	2, 465, 341	6, 843, 389	41, 654, 812
Deposits of U. S. disbursing offi- cers	131, 225	20, 271	1, 031, 935	2, 159, 364	3, 342, 795
Due to national banks	68, 125, 941	27, 787, 067	15, 226, 442	11, 357, 064	122, 496, 514
Due to other banks and bankers ..	19, 311, 700	6, 591, 905	10, 347, 506	6, 385, 592	42, 636, 703
Notes and bills re-discounted		37, 537	183, 808	2, 785, 980	3, 007, 325
Bills payable	8, 000	1, 168, 758	1, 015, 950	2, 310, 275	4, 502, 983
Totals	384, 778, 767	297, 224, 523	167, 190, 985	918, 084, 858	1, 767, 279, 133

* The reserve cities, in addition to New York, Boston, Philadelphia, and Baltimore, are Albany, Pittsburgh, Washington, New Orleans, Louisville, Cincinnati, Cleveland, Chicago, Detroit, Milwaukee, Saint Louis, and San Francisco.

The following table exhibits the resources and liabilities of the national banks in operation at nearly similar dates for the last nine years:

	Oct. 8, 1870.	Oct. 2, 1871.	Oct. 3, 1872.	Sept. 12, 1873.	Oct. 2, 1874.	Oct. 1, 1875.	Oct. 2, 1876.	Oct. 1, 1877.	Oct. 1, 1878.
	1,615 banks.	1,767 banks.	1,919 banks.	1,976 banks.	2,004 banks.	2,087 banks.	2,089 banks.	2,080 banks.	2,053 banks.
RESOURCES.									
	<i>Millions.</i>	<i>Millions.</i>	<i>Millions.</i>	<i>Millions.</i>	<i>Millions.</i>	<i>Millions.</i>	<i>Millions.</i>	<i>Millions.</i>	<i>Millions.</i>
Loans.....	716.0	831.6	877.2	944.2	954.4	984.7	931.3	891.9	834.0
Bonds for circulation.....	340.6	364.5	382.0	388.3	383.3	370.3	337.2	336.8	347.6
Other U. S. bonds.....	37.7	45.8	27.6	23.6	28.0	28.1	47.8	45.0	94.7
Other stocks, bonds, &c.....	23.6	24.5	23.5	23.7	27.8	33.5	34.4	34.5	36.9
Due from other banks.....	109.5	143.2	128.2	149.5	134.8	144.7	146.9	129.9	138.9
Real estate.....	27.5	30.1	32.3	34.7	38.1	42.4	43.1	45.2	46.7
Specie.....	18.5	13.2	10.2	19.9	21.2	8.1	21.4	22.7	30.7
Legal-tender notes.....	77.2	107.0	102.1	92.4	80.0	76.5	84.2	66.9	64.4
National-bank notes.....	12.6	14.3	15.8	16.1	18.5	18.5	15.9	15.6	16.9
Clearing-house exchanges..	91.6	115.2	125.0	100.3	109.7	87.9	100.0	74.5	82.4
U. S. certificates of deposit.....			6.7	20.6	42.8	48.8	29.2	33.4	32.7
Due from U. S. Treasurer..					20.3	19.6	16.7	16.0	16.5
Other resources.....	55.9	41.2	25.2	17.3	18.3	19.1	19.1	28.7	24.9
Totals.....	1,510.7	1,730.6	1,755.8	1,830.6	1,877.2	1,882.2	1,827.2	1,741.1	1,767.3
LIABILITIES.									
Capital stock.....	430.4	458.3	479.6	491.0	493.8	504.8	499.8	479.5	466.2
Surplus fund.....	94.1	101.1	110.3	120.3	129.0	134.4	132.2	122.8	116.9
Undivided profits.....	38.6	42.0	46.6	54.5	51.5	53.0	46.4	44.5	40.9
Circulation.....	293.9	317.4	335.1	340.3	334.2	319.1	292.2	291.9	301.9
Due to depositors.....	515.3	631.4	628.9	640.0	683.8	679.4	666.2	630.4	668.4
Due to other banks.....	130.0	171.9	143.8	173.0	175.8	179.7	179.8	161.6	165.1
Other liabilities.....	8.4	8.5	11.5	11.5	9.1	11.8	10.6	10.4	7.9
Totals.....	1,510.7	1,730.6	1,755.8	1,830.6	1,877.2	1,882.2	1,827.2	1,741.1	1,767.3

THE NATIONAL BANKING SYSTEM.

The Comptroller, in his report for 1876, in addition to the usual national-bank statistics, gave an historical sketch of the two Banks of the United States, and also of the several State systems of banking, with tables showing, by geographical divisions and by States, so far as they could be obtained from official sources, the resources and liabilities of the State banks from the earliest dates to that of the organization of the national system, together with a comparative view of the State and national systems of banking.

In his report to Congress for the year 1875 he sketched the origin and growth of the national-banking system, and answered the principal arguments advanced against its continuance. The establishment of the system was not advocated in the interest of any political party, and it has been free from the control of partisan or sectional influence, its benefits being now open to all who desire to engage in the business of banking. The opportunity occasioned by a great war was seized upon, in the interest of the government, to get rid of a circulation issued by authority of many different States, which had been, almost from the beginning of the government, a grievous tax upon the business and the commerce of this country. It was shown, from the discussions in Congress at the time of the passage of the legal-tender act, from the reports of this department, and from the uniform legislation since that time, that the national-banking system was intended to be permanent, the institutions organized under it being, by the express terms of the law, authorized to continue for a term of twenty years; while it was equally evident that the Treasury notes issued and still in circulation were in-

tended to be funded, to constitute a temporary currency, issued from necessity, and to furnish the government with the means to save itself from destruction; that the amount was not to be increased, but to be withdrawn from circulation as rapidly as possible.

It was further shown that the system was not a monopoly, its privileges being free to all, but that it uprooted many real banking monopolies authorized by the several States, and which had been in existence almost from the foundation of the government; that the profits upon circulation were small, and that the earnings of the banks were not too great a compensation for the risks incident to the business of banking, to which capital loaned directly on mortgage security is not subject; that the taxation imposed upon the banks is unequalled in the history of monetary institutions; that the losses by failures had been insignificant in proportion to the liabilities; and that the losses on circulation had not been one dollar; that the restrictions of the act are such as experience has shown to be necessary for the success of great banking systems; that publicity is one of the principal features of the national system; that a surplus of more than one hundred millions of dollars—equal to one-fourth of the capital, and derived largely from profits accruing from transactions during the war—had accumulated and remained as a security to stockholders and depositors during times of revulsion and panic.

This report, which, since its publication, has been constantly in demand, is out of print. The proposition for the substitution of Treasury notes in place of national-bank notes having been again revived and discussed, it is thought advisable again to answer the principal objections urged against the national banking-system, even at the risk of repeating to some extent, although with more recent data, what has already appeared in previous reports.

The chief reasons urged in favor of the substitution of Treasury notes for national-bank notes are, that the banks in the national system are a favored class, enjoying special privileges at the cost of the people; that they derive a large profit from the issue of circulating-notes; and that a large amount of money may be saved to the government by authorizing it to issue all the paper currency of the country.

Before the passage of the act of June 20, 1874, no national bank could reduce its circulation and take up its bonds except by returning a proportionate amount of its own circulating-notes, and these were usually difficult to obtain; and prior to the act of January 14, 1875, the total amount of circulation authorized to be issued was limited to 354 millions. But these acts provided both for a reduction of circulation and withdrawal of bonds at the pleasure of the banks, upon a deposit by them of lawful money in sums of not less than \$9,000, and for an issue of bank-notes to any association organized in conformity with law. Under the law, then, as it now stands, any number of persons not less than five, in any part of the country, who together may have \$50,000 of capital at command, may organize a national bank and receive circulating-notes equal in amount to 90 per cent. of such capital—the law discriminating in the latter respect only against the large institutions, as no bank organized since the passage of the act of July 12, 1870, is entitled to circulation in excess of \$500,000. A bank organized prior to that time, and having a capital of between \$500,000 and \$1,000,000, can receive in circulating-notes but 80 per cent. thereon; if between \$1,000,000 and \$3,000,000, it can receive but 75 per cent.; and if over \$3,000,000, but 60 per cent.

Since the passage of the act of June 20, 1874, the national banks,

so far from considering the privilege of issuing circulation a profitable monopoly, have voluntarily surrendered \$66,237,323 of their notes, which is \$29,463,467 more than has been issued to all of the banks organized since that date, while 144 banks, with capital stock amounting to \$15,517,000, and a circulation of \$9,190,718, have gone into voluntary liquidation.

The capital stock of the national banks is not largely in the hands of capitalists. Among their shareholders may be found persons in every station of life, and great numbers of women and children rely for their support upon the successful management of these institutions. The elaborate tables which appeared in the Comptroller's Report for 1876 showed that there were then only 767 persons anywhere who held as much as \$50,000 each of national-bank stock; that more than one-half of the whole number of shareholders in these associations held, each, but \$1,000, or less, of such stock; and that, taking the whole number of shareholders together, the average amount held by each one was but \$3,100. Of shareholders owning not more than \$1,000 each, there were 32,235 in Massachusetts alone, 12,784 in New York, 14,621 in Pennsylvania, 1,441 in Kentucky, 2,388 in Ohio, 1,608 in Illinois, 832 in Georgia, and 617 in Virginia. Of those holding the stock in amounts ranging between \$2,000 and \$3,000 there were 17,743 in the New England States, 15,614 in the Middle States, 2,305 in the Southern States, and 3,422 in the Western States. Moreover, citizens of the Western States held 26,455 shares, and citizens of the Southern States 13,319 shares, of the stock of banks located in the Eastern and Middle States. It is not probable that the stock of any other class of corporations in the country is more widely distributed among people of moderate means than is that of the national banks. It is also largely distributed among members of all political parties, and, as a rule, is free from the control of partisan influence.

The national banks have not at any time monopolized the business of banking, nor do they at the present time. On May 31 of this year there were in existence more than 3,700 State banks and private banking-houses, having an aggregate capital of 202 millions of dollars, and deposits of 413 millions. These banking establishments are located in all of the principal cities and villages of the country, and it is to be presumed that if the privilege of issuing circulating-notes were so great as it is persistently claimed to be, these associations and individuals, who are already engaged in the business of banking, and who are free to enter the national system, would hasten to organize under that system.

The amount of interest accruing annually upon the bonds held by the national banks on November 1—less the tax paid by them upon their circulation—is \$14,544,692 only, while the annual profit upon the entire circulation of the national banks, as will be shown in another place in this report, is but \$8,961,519, or less than two and one-half per centum upon their capital. As the 3,700 banks and bankers mentioned still continue to transact their business as State banks or private associations, it seems very clear that this annual profit of \$2,500 only, upon a capital of \$100,000, does not present to them, or any of them, a sufficient inducement to transfer their business to the national system. The reason is obvious. The laws governing the national banks contain numerous and burdensome restrictions, and impose many and severe penalties for their violation. On the one hand they authorize the issue of circulating notes, but on the other they require that the business of banking shall be conducted under a uniform system, which insures the greatest possible degree of safety to the depositor and bill-holder and prompt and certain convertibility to the circulating note. If, on the one hand, the right to issue circulating

notes is given, on the other, wholesome restraints are insisted upon as a condition of that privilege. These legal prohibitions and restrictions, which are the compensations that the public receive from these corporations in return for their right to issue circulating notes, are too numerous to be given here in detail. But it is proposed now to notice specially some of the more important of the restrictions, and to give a general summary of the whole of them, for the information of the public, in a subsequent portion of this report.

CAPITAL STOCK.

One of the most important requirements of the national-bank act is that the capital stock of all institutions organized thereunder shall be fully paid in. The organization of banks without capital was one of the great abuses of previous banking systems. The history of banking in this country is full of instances of institutions of this character, which were not only permitted to receive deposits and transact a general banking business, but were authorized to issue circulating notes; and to the frequent failures of these associations may be attributed, in a great degree, the prejudice still existing in this country against all banking corporations.

When the national system was established especial care was exercised in the framing of the banking act, not alone to insure the safety and convertibility of the circulating notes, but also to guard against the organization of banks without *bona fide* capital. At least fifty per cent. of the capital stock of a national bank must be paid in before it can be authorized to commence business, and the remainder must be thereafter paid in installments of not less than one-fifth monthly, the payment of each installment being certified to this office, under oath, by the president or cashier of the association.

It is frequently stated, and it seems to be believed by many, that banks of circulation, only, may be organized under the act—that is, that a bank may use its circulating notes either to increase its existing capital or to assist in organizing other banks without real capital. The law carefully guards against such an abuse. In the first place, as has been already stated, the officers and directors are required at the outset to certify under oath to the Comptroller the amount of stock which has been paid into the bank as permanent capital, while subsequent installments must be similarly certified. In addition to this, section 5203 of the Revised Statutes provides that “no association shall, either directly or indirectly, pledge or hypothecate any of its notes of circulation for the purpose of procuring money to be paid in on its capital stock, or to be used in its banking operations or otherwise; nor shall any association use its circulating notes, or any part thereof, in any manner or form to create or increase its capital stock.” The Comptroller is also authorized to examine every banking association before granting it authority to commence business, in order to ascertain whether or not its capital has been actually paid in. It is impossible, therefore, for a bank of circulation only, without capital, to be organized under the national system, if proper precaution be exercised and the examiner is competent and faithful in the performance of his duty.

Neither can an association increase its circulation at pleasure, for the circulation can never exceed a certain proportion of the paid-up capital. There never has been an instance of the organization of one national bank by the use of the circulation issued to another. Such an illegitimate transaction could scarcely fail to be at once detected and the facts reported to the United States district attorney for his action thereon.

If any association fails to pay up its capital stock, as required by law, or if its capital shall become impaired, an assessment must be made upon the shareholders, *pro rata*, for the amount of the deficiency or impairment, the interest upon the bonds held as security for its circulation being in the mean time withheld by the Treasurer, while a receiver may be appointed by the Comptroller if the capital be not restored after three months' notice by him to the association.

The proportion of capital, and of capital and surplus, to liabilities, is much greater in this country than elsewhere, which is undoubtedly owing to the fact that our law requires that the full amount of authorized capital shall be actually paid in. In England, as a rule, only a portion of the capital is paid in, but the stockholders are individually liable for the full amount of their subscriptions. This restricted liability is true of the limited banks only, the stockholders of other corporations not limited being each liable for all of the debts of the corporation.

The following table, compiled from statements in the London Economist of October 19, 1878, exhibits the amount of capital, reserve and liabilities, and the ratio of capital, and of capital and reserve, to liabilities, of 3,417 banks (141 banks and 3,276 branches) of the United Kingdom:

Banks.	Number of—			Capital.	Reserve fund and undivided profits.	Total.	Liabilities.	Ratio to liabilities of—	
	Bks	Br'chs.	Total.					Capital.	Capital and profits.
								<i>Pr. ct.</i>	<i>Pr. ct.</i>
England and Wales.	72	1, 144	1, 216	£26, 046, 420	£13, 761, 814	£39, 808, 234	£223, 679, 548	11. 64	17. 80
Bank of England...	1	10	11	14, 553, 000	3, 768, 531	18, 321, 531	51, 611, 899	28. 20	35. 50
Isle of Man	2	7	9	60, 904	29, 895	90, 799	539, 268	11. 29	16. 82
Scotland	10	809	819	9, 045, 780	4, 857, 882	13, 903, 662	82, 093, 497	11. 02	16. 94
Ireland	9	270	279	2, 950, 000	1, 374, 141	4, 324, 141	20, 800, 649	14. 18	20. 79
Colonial with London offices.....	27	969	996	20, 430, 136	7, 336, 415	27, 766, 551	121, 905, 216	16. 76	22. 78
Foreign with London offices.....	20	67	87	17, 563, 130	2, 840, 444	20, 403, 574	39, 623, 424	44. 33	51. 49
Totals	141	3, 276	3 417	90, 649, 370	33, 969, 122	124, 618, 492	540, 253, 501	16. 78	23. 07

National banks.

October 1, 1878.....	2, 053	\$466, 147, 436	\$157, 833, 993	\$623, 981, 429	\$1, 140, 179, 314	40. 88	54. 73
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A comparison of this table with a similar statement regarding the national banks, which is also given above, shows the ratio of capital to liabilities of the 3,417 banks in the United Kingdom to be 16.78 per cent., and the ratio of their capital and reserve to liabilities to be 23.07 per cent.; while the corresponding ratios of the national-banks are 40.88, and 54.73; the ratios of the national banks being in each instance more than double those of the United Kingdom. In the national banking system the existing ratio of capital to liabilities is nearly four times greater than is that of the 1,216 banks in England and Wales; while the ratio of the combined capital and reserve of the former banks to their liabilities is more than three times greater than that of the latter.

CONVERTIBILITY OF THE NOTE.

Previous to the passage of the national bank act, the circulating notes of banks located elsewhere than in New York or New England were not

redeemable except at the counters of the issuing banks. As only about one-third of the circulation of the country consisted of New York and New England notes, it may be said that the remaining two-thirds had practically no general system of redemption. The legislation of the New England States provided only for redemption at the counter, although what was known as the Suffolk system compelled redemption in the city of Boston also. The New York law required redemption at the counter at par, and also in New York, Albany or Troy at one-fourth of 1 per cent. discount. The New England currency, therefore, consisted of unsecured notes redeemable at par at the place of issue and in the city of Boston, while the New York currency was a secured note redeemable at par at its counter, and at a discount at its agency. The notes of the national banks constitute the only secured circulation* ever required by law to be redeemed at par at a central agency, as well as at their place of issue.

If the New York system of redemption were to be applied to the national-bank circulation, in place of the existing method, it would probably at once raise the price of exchange to the rate current under that system, which was generally one-half of one per cent. The Suffolk system was excellent, as a voluntary arrangement entered into by 500 banks, having an aggregate circulation of fifty millions only, and all located within the comparatively moderate area of the six New England States; but it would not be a practicable one if extended to more than 2,000 banks, distributed, as are the national banks, throughout all the States of the Union, and having a circulation more than six times as great as that of the New England banks. So large a volume of circulating notes, issued at points so remote from each other, could not be made uniformly convertible by the legislative action of separate States, nor by the agency of individual corporations. Congressional action alone is adequate to accomplish this; and accordingly full provision was made by Congress for the convertibility of the national-bank circulation, by providing for its redemption at par, both at its place of issue and at the Treasury of the United States. For the latter purpose the banks are, by a late act, required to keep on deposit with the Treasurer an amount of lawful money equal to five per cent. of their circulation.

At the time of the passage of the last-named act a very large propor-

* The following extract from the London Economist of October 26, 1878, clearly illustrates the superiority of the national banking system of this country, so far as the safety of circulating notes is concerned, over the systems of Great Britain. The closing sentence, contrasting the superior system of the Isle of Man with those of the United Kingdom, is significant:

“A curious detail in the business of the City of Glasgow Bank has been brought to light. The Bank of Mona, an institution in the Isle of Man, was incorporated with it, and a large circulation of notes existed in that island. The House of Keys, which regulates these matters with more foresight than the House of Commons, in 1845 required adequate security on real estate to be held, not only against every note which was issued, but against every note signed by the authorities of the bank, whether held by them or by the public. The manager of the Bank of Mona, faithful to his trust while his superiors at Glasgow were so unmindful of theirs, has published a statement that the security is intact and immediately available. The gold which the City of Glasgow Bank should but does not hold would have been no security to the note-holder more than to any other creditor of the bank. The annual migrations of sovereigns to the north, in accordance with the act of 1845, is a continual inconvenience to the Bank of England, and but little benefit to any one. *One is tempted to ask whether something like the precedent set by the House of Keys might not be followed with advantage in Great Britain.*”

The London Bankers' Magazine for November of the present year, in referring to this bank failure, says:

“At all events, a strong argument in favour of the deposit of government securities, instead of the despatch of gold to meet the periodical expansion of the Scotch circulation, is derivable from what has happened.”

tion of the notes of the national banks was in a worn and mutilated condition, but within eighteen months thereafter more than \$248,000,000 in such notes were received at the Treasury for redemption. For this amount about \$177,000,000 of new currency was issued by the Comptroller to replace the mutilated portion, the remainder, which was fit for circulation, being returned to the banks.

In transmitting national-bank notes to the Treasury for redemption, they may be sent unassorted, that is, without reference to denominations or banks of issue, the only restriction being that they shall be presented in sums of \$1,000 or a multiple thereof, while the only expense to the sender is the cost of transportation to the place of redemption. Under this system the notes of the national banks, wherever located, have possessed a uniform value, and the prices of exchange have ruled at the lowest rate. The rates of exchange between Saint Louis, Cincinnati, Chicago, and New York have been frequently at par and under, not exceeding, say, 80 cents for \$1,000, instead of from ten to fifteen dollars per thousand, as was common under previous systems. Redemptions have not been so frequent under this as under the previous systems of New York and New England, for the reason that the notes are more fully secured, and also because the demand for Treasury notes has not been so great as was formerly the demand for gold under similar circumstances. The machinery of the law is, however, in operation, and the frequency of redemptions will, to a great extent, depend upon the demand for gold after specie payment shall have been resumed. But the notes of the banks being secure beyond peradventure, this demand will, in all probability, be much less than under former systems of unsecured currency.

PROFITS AND LOSSES.

The law provides that no association shall, during the time it continues its banking operations, withdraw or permit to be withdrawn, in dividends or otherwise, any portion of its capital, and that no dividend shall ever be made to an amount greater than the net profits then on hand, deducting therefrom losses and bad debts. With these restrictions, the banks are permitted to declare dividends semi-annually from their net profits, but are also required, before making any such dividend, to carry to surplus fund one-tenth part of their net profits of the preceding half year, until this fund shall equal twenty per cent. of their capital stock. The law thus designates three uses for the profits of the national banks: First, for building up a surplus fund; secondly, to protect the capital stock from impairment by losses in business, by the use of such fund when the other profits are insufficient; and, thirdly, for the declaration of dividends out of any remaining profits. As a rule, the banks in the national system have not made excessive dividends. In determining the true ratio of their profits, their accumulated surplus, as well as what is technically known as capital, must be considered, as it is from the use of both capital and surplus that their profits are derived. Even during the most prosperous years of the system, the ratio of annual earnings to the combined capital and surplus of the banks was not greatly in excess of the usual legal rates of interest in the States where they were located, while during the last two years this ratio has been less than six per cent. on the combined capital and surplus.

The surplus of the national banks amounted on October 1 to nearly \$117,000,000. A part of this sum represents the profits earned by former State banks previous to their conversion into national organizations, and brought by them into the system. The greater portion was, however,

accumulated by the banks during the years of business prosperity immediately succeeding the close of the war. The following table exhibits the amount of surplus held by the banks on or near the 1st day of January and July in each year since 1863, as shown by their reports for the dates nearest thereto, together with the semi-annual increase or decrease therein:

Dates.	Surplus.		Dates.	Surplus.	
	Amount.	Semi-annual increase or decrease.		Amount.	Semi-annual increase or decrease.
		<i>Increase.</i>			<i>Increase.</i>
July 4, 1864	\$1, 129, 910	.....	December 16, 1871 ...	\$101, 573, 154	\$3, 250, 950
January 2, 1865	8, 663, 311	\$7, 533, 401	June 10 1872	105, 181, 943	3, 608, 789
July 3, 1865	31, 303, 566	22, 640, 255	December 27, 1872 ...	111, 410, 249	6, 228, 306
January 1, 1866	43, 060, 371	11, 696, 805	June 13, 1873	116, 847, 455	5, 437, 206
July 2, 1866	50, 151, 992	7, 151, 621	December 26, 1873 ...	120, 961, 268	4, 113, 813
January 7, 1867	59, 992, 875	9, 840, 883	June 26, 1874	126, 239, 308	5, 278, 040
July 1, 1867	63, 232, 811	3, 239, 936	December 31, 1874 ...	130, 485, 641	4, 246, 333
January 6, 1868	70, 586, 126	7, 253, 315	June 30, 1875	133, 169, 095	2, 683, 454
July 6, 1868	75, 840, 119	5, 253, 993			<i>Decrease.</i>
January 4, 1869	81, 169, 937	5, 329, 818	December 17, 1875 ...	133, 085, 422	\$83, 673
June 12, 1869	82, 218, 576	1, 048, 639	June 30, 1876	131, 897, 197	1, 188, 225
January 22, 1870	90, 174, 281	7, 955, 705	December 22, 1876 ...	131, 390, 665	506, 532
June 9, 1870	91, 689, 834	1, 515, 553	June 22, 1877	124, 714, 073	6, 676, 592
December 28, 1870	94, 705, 740	3, 015, 906	December 28, 1877 ...	121, 568, 455	3, 145, 618
June 10, 1871	98, 322, 204	3, 616, 464	June 29, 1878	118, 178, 531	3, 389, 924

It will be seen that the maximum surplus was reached in June, 1875, and that there has since then been a gradual diminution of this fund. The diminution has been caused by charging thereto, from time to time, portions of the losses sustained by the national banks, such losses aggregating, during the last three years, the large sum of \$64,119,415, as shown in the following table:

Six months ending—	New England States.		Middle States.		Southern States.		Western States and Territories.		United States.	
	No.	Amount.	No.	Amount.	No.	Amount.	No.	Amount.	No.	Amount.
March 1, 1876	201	\$1, 485, 532	268	\$3, 553, 129	67	\$308, 861	270	\$1, 153, 648	806	\$6, 501, 170
September 1, 1876 ...	282	3, 074, 128	344	7, 156, 349	90	896, 891	318	2, 090, 489	1, 034	13, 217, 857
Total, 1876 .....	.....	4, 559, 660	.....	10, 709, 478	.....	1, 205, 752	.....	3, 244, 137	.....	19, 719, 027
March 1, 1877	289	2, 465, 328	314	3, 462, 684	80	478, 252	297	1, 769, 697	980	8, 175, 961
September 1, 1877 ...	312	4, 825, 040	353	3, 945, 806	86	511, 841	357	2, 474, 940	1, 108	11, 757, 627
Total, 1877 .....	.....	7, 290, 368	.....	7, 408, 490	.....	990, 093	.....	4, 244, 637	.....	19, 933, 588
March 1, 1878	327	3, 344, 012	417	4, 506, 813	124	672, 032	436	2, 380, 288	.....	10, 903, 145
September 1, 1878 ...	399	4, 016, 814	449	5, 502, 770	140	1, 225, 602	442	2, 818, 469	1, 430	13, 563, 655
Total, 1878 .....	.....	7, 360, 826	.....	10, 009, 583	.....	1, 897, 634	.....	5, 198, 757	.....	24, 466, 800
Total for 3 years .....	.....	19, 210, 854	.....	28, 127, 551	.....	4, 093, 479	.....	12, 687, 531	.....	64, 119, 415

Of the \$36,224,427 of losses charged off within the last eighteen months, as shown above, \$5,326,072 was on account of depreciation in the premium on the United States bonds held by the banks.

The total losses thus charged off equal nearly fourteen per cent. of the entire capital of the banks. Although the charging up of losses has very considerably reduced the surplus of the banks, yet if the total losses incurred had been wholly charged to this fund it would have been still more

largely diminished. The greater portion of the losses mentioned has been canceled by charging it to the account of current profits, in consequence of which 357 banks, with an aggregate capital of \$58,736,950, have, in the last six months, paid no dividends at all; while during the last three years the average number of banks semi-annually passing dividends on account of losses has been 288. This number is equal to about one-seventh of the whole number now in operation. The average amount of capital upon which no dividends have been paid during that time is \$44,583,515; from which it follows that for a continuous period of three years more than one-tenth of the total capital of the national banks has been without profit to its owners. This is exhibited in the following table :

Geographical divisions.	Six months ending—				Average for the year.	
	March 1, 1878.		September 1, 1878.			
	No. of banks.	Capital.	No. of banks.	Capital.	No. of banks.	Capital.
New England States.....	37	\$9, 389, 500	51	\$14, 870, 000	44	\$12, 129, 750
Middle States	95	17, 244, 400	114	22, 454, 850	105	19, 849, 625
Southern States	36	5, 266, 000	44	6, 867, 000	40	6, 066, 500
Western States and Territories....	160	16, 898, 000	148	14, 545, 100	154	15, 721, 550
Totals for 1878	328	48, 797, 900	357	58, 736, 950	343	53, 767, 425
Totals for 1877	245	40, 452, 000	288	41, 166, 200	266	40, 899, 100
Totals for 1876	235	34, 290, 320	273	44, 057, 725	254	39, 174, 022
Average for three years	269	41, 180, 073	306	47, 986, 958	288	44, 583, 515

Many of the banks, also, which have declared dividends within the last three years have done so wholly or in part out of profits other than surplus previously accumulated by them, and not out of their current earnings.

The following table shows by geographical divisions the ratio to capital and surplus of the dividends declared by all the national banks during the last nine years :

Geographical divisions.	Ratio of dividends to capital and surplus.									
	1870.	1871.	1872.	1873.	1874.	1875.	1876.	1877.	1878.	Average.
	<i>Perct.</i>	<i>Perct.</i>	<i>Perct.</i>	<i>Perct.</i>	<i>Perct.</i>	<i>Perct.</i>	<i>Perct.</i>	<i>Perct.</i>	<i>Perct.</i>	<i>Per et.</i>
New England States	8.4	8.3	8.1	8.2	7.7	7.6	6.7	6.0	5.5	7.4
Middle States	8.1	7.9	7.9	7.9	7.6	7.6	7.7	6.6	6.1	7.5
Southern States	10.7	10.1	9.5	8.8	8.2	7.7	7.6	7.1	6.2	8.4
Western States	8.5	8.9	9.3	9.0	8.6	8.6	8.1	9.6	7.7	8.7
United States	8.4	8.3	8.3	8.3	7.9	7.8	7.5	7.1	6.2	7.7

The ratio to capital and surplus of the total net earnings of all the national banks was, in 1876, 6.9 per cent., in 1877, 5.6 per cent., and in 1878, 5.1 per cent.

The average ratio of dividends to capital in the New England and Middle States, where the greater portion of the capital of the national banks is held, was during the last three years 8.2 per cent. In the same States the ratio of dividends to the combined capital and surplus was 6.5 per cent., and the ratio of the net earnings to capital and surplus was 5.1 per cent.

The belief, so widely entertained, that the profits made by the national banks are excessive, is in great part due to the exceptionally large dividends paid by a few banks which are favorably located and have a large surplus, and which make large returns to their shareholders on the amount of their nominal capital. The profits of these banks are not to any considerable extent derived from their circulation, but from surplus and deposits. Many of the banks making these exceptional dividends have a much less amount of circulation than those making moderate dividends only, while a few of them have no circulation whatever.

If the bank act gives to the national banks the privilege of circulation, it also provides for a United States tax upon circulation, deposits and capital, and for a State tax upon the shares of each bank, to be determined by the legislature of each State, at a rate estimated to be not greater than is assessed upon other money capital in the hands of individual citizens of each State. The total amount of United States taxes collected from the commencement of the system to the present time is as follows:

On circulation.	On deposits.	On capital.	Total.
\$39, 775, 817 35	\$40, 328, 256 32	\$5, 929, 480 73	\$86, 033, 554 40

The annual amount of taxation, national and State, has for the last four years been as follows :

Years.	National.	State.	Total.
1874.....	\$7, 256, 083	\$9, 620, 326	\$16, 876, 409
1875.....	7, 317, 531	10, 058, 122	17, 375, 653
1876.....	7, 076, 087	9, 701, 732	16, 777, 819
1877.....	6, 902, 573	8, 829, 304	15, 731, 877
Totals	28, 552, 274	38, 209, 484	66, 761, 758

More complete tables, showing the amount of taxes collected from the banks of each State and principal city of the Union, will be found upon subsequent pages of this report. The rate of taxation upon the banks in the city of New York and in other cities has averaged more than five per cent. annually during the past four years, and there is no doubt that the annual taxes collected from these institutions has been greatly in excess of the rate collected upon the capital of other corporations, private firms, and individuals, which cannot be as accurately determined as is that of the national banks from their published statements.

NATIONAL BANK FAILURES.

The failures in this country of State banks and private bankers are known to have been numerous and frequent ; but information as to their numbers, or to the consequent losses to their stockholders or creditors, has not been attainable by the Comptroller. The bank departments of the different States give no information on this subject except as to the losses upon bank currency, and even that information has been of a scanty character. As a rule, under the different State laws, the affairs of insolvent institutions have been liquidated by a receiver appointed by the court, and the receiver has not reported to any State officer, but to the court which appointed him. Full information with reference to these insolvent institutions is therefore in most cases unattainable. The losses upon currency are estimated to have been five per cent. annually upon the

amount issued, but no estimate has ever been made of the losses to creditors and shareholders. Under the national-bank system, however, the losses as well as profits of each bank are reported to this Office. If a bank becomes insolvent, the Comptroller, by law, appoints the receiver, and exercises full supervision over the closing up of its affairs. The files of this Office, therefore, contain a complete record of everything pertaining to the settlement of the business of such associations. The following table exhibits the number of failures of national banks in each State, together with their capital, amount of claims proved, the amount of dividends paid, and the estimated losses to creditors, from the organization of the system to July 1 of the present year:

State.	No. of banks.	Capital.	Claims proved.	Dividends paid.	Estimated losses.	Percentage of claims paid.
Connecticut	1	\$60,000	\$97,541	\$82,910	\$10,000	85.
New York	16	4,076,100	5,722,248	5,060,536	320,498	88.43
Pennsylvania	8	1,312,000	1,558,564	898,103	416,850	57.62
District of Columbia	2	700,000	2,288,828	1,785,173	503,655	78.
Virginia	4	800,000	1,679,045	646,818	931,789	38.52
Alabama	1	100,000	289,407	121,551	167,856	42.
Mississippi	1	50,000	33,562	11,746	20,900	35.
Louisiana	3	1,600,000	2,981,554	1,805,060	922,900	61.02
Texas	1	50,000	60,330		60,000	
Arkansas	1	50,000	15,142	15,142		100.
Tennessee	1	100,000	376,932	65,335	311,597	17.33
Missouri	3	3,100,000	2,683,093	951,918	740,000	35.48
Ohio	3	250,000	422,891	190,557	189,800	45.06
Indiana	4	282,000	505,531	239,893	178,800	47.45
Illinois	8	2,250,000	3,366,767	1,414,368	1,096,198	42.01
Wisconsin	1	50,000	134,445	47,055	70,000	35.00
Iowa	3	200,000	290,477	181,128	90,998	62.35
Minnesota	2	200,000	313,429	210,016	61,000	67.
Kansas	2	160,000	141,576	84,195	57,381	59.47
Nevada	1	250,000	170,012	153,011	17,001	90.
Colorado	2	225,000	178,135	32,418	177,000	18.19
Utah	1	150,000	89,200	13,380	71,200	15.
Totals	69	16,015,100	23,398,709	14,010,313	6,415,423	59.88

From the above table it will be seen that the total amount of capital of all the insolvent national banks is \$16,015,100; amount of claims proved, \$23,398,709; of dividends paid, \$14,010,313; while the estimated losses are but \$6,415,423. The average number of failures during each of the past fifteen years has been less than five, and the average annual loss less than \$430,000.

The City of Glasgow Bank, which recently failed in Scotland, had a capital and surplus of less than \$8,000,000, and liabilities of more than \$50,000,000. It loaned to four debtors of the bank more than \$28,000,000, upon which there is a loss of more than \$21,000,000. The deficiency in the assets is nearly \$26,000,000, which is four times as great as the losses to all the creditors of national banks which have failed since the organization of the system. The bank superintendent of the State of New York reports the liabilities of twenty-two savings banks which have failed in that State during the last six and one-half years at \$12,188,777, and estimates the losses to their creditors at \$4,303,616, which is more than one-third of their entire indebtedness. He estimates the losses during the last three years at \$3,400,000, which is more than one-half of the estimated losses to the creditors of all the national banks in the United States from the beginning of the system until now. The losses from five State banks in the city of Chicago during the last two years, which banks were organized under special charters, under which neither State supervision nor reports were required, is estimated to be \$3,819,500, on liabilities of \$5,785,572. The losses from the State and savings banks of the

country during the last two years only are known to have been greater than the total loss resulting from all the failures which have occurred of national banking associations. The government has had large amounts on deposit continually with a great number of national banks throughout the country, for its convenience in making disbursements, but has suffered no loss during the past twelve years. Upon the circulating notes of the national banks there has been no loss whatever.

PUBLIC STATEMENTS AND EXAMINATIONS.

One of the most important provisions of law relating to the national banks is that requiring statements of their resources and liabilities to be made at such times and in such manner as the Comptroller may direct, and the publication of these statements in the daily newspapers of the country. The banks are also required to make returns to the Comptroller, semi-annually, of their earnings, losses and dividends; and all of these returns are compiled by him and annually transmitted to Congress. The Comptroller has authority to call upon the banks for any and all information concerning their affairs which may be thought of value; and it is his endeavor to communicate annually to Congress and the people the fullest possible knowledge attainable upon every question of interest connected with the business of banking. Letters, also, from whatever source, asking for proper information on these subjects, are always fully answered. The annual reports which have been issued from this Office are themselves evidence of the great amount and value of the information to be derived from the returns made by the national banks.

The law also provides for a thorough examination of the banks by competent persons as frequently as the Comptroller may think desirable. This feature of the law was at first exceedingly unpopular, but it is now generally approved by the banks themselves, and has been attended with the best results. Irregularities are not so likely to be allowed when it is known that they may be exposed by a competent examiner. In numerous instances unlawful dividends have been prevented, impaired capital discovered and its restoration compelled, and large losses to both shareholders and creditors avoided, by the prompt action of this office, based upon the report of an examiner. The excellent system now in operation is in strong contrast with the generally lax systems of bank reports and supervision which prevailed previous to the passage of the national-bank act.

The Comptroller, in his report for 1876, made an effort to collect from official sources the general bank statistics of the country. Only two balanced statements of the first Bank of the United States could be found, and previous to 1832 the published bank statistics consisted mainly of estimates made, or statements unofficially compiled, by individuals. Subsequently statements were obtained by this department from the several State officials, and were compiled annually for the use of Congress. But the State laws differed widely in their requirements, both as to the nature of the returns to be made by the banks and the dates which they should bear. Instead of a uniform time and similarity in form being required by all the States, as is now required under the national system, there was great diversity in both date and form, so that when the compilation of the reports was completed by this department the work was very unsatisfactory, and it was found impracticable to give anything like a just or true presentment of the condition of the banks of the country on or near any given day.

For the last five years the Comptroller, in obedience to an act of Con-

gress, has endeavored to compile annually the returns made by the State banks to the different State officials; but the same difficulties in this regard exist now that existed before the establishment of the national-banking system. The constitution of the State of Illinois provides "that every banking association now and which may hereafter be organized under the laws of the State, shall make and publish a full and accurate quarterly statement of its affairs, which shall be certified to under oath by one or more of its officers"; but although bills designed to carry out this provision of the constitution have been often introduced into the legislature, they have thus far failed to be enacted in the form of law. Many other States have no laws whatever upon the subject, and complete returns can be obtained from not more than one-half of the States in the Union.

For many years past there has been a growing desire to obtain the fullest data possible concerning the condition of all public corporations, and especially of all financial institutions; but if the present homogeneous system, which has accomplished so much in this direction, be now abolished, all further hope of obtaining full and reliable banking statistics may be at once abandoned.

The London Economist of October 26, 1878, in commenting upon the report of the directors of the City of Glasgow Bank, says :

A more complete publication of banking accounts, as well as a more rigid audit, will probably be insisted on for the future. A real audit of such accounts is most difficult to make, but some authentication by qualified persons outside the business is obviously required. Though publication of accounts is not by any means a complete safeguard, yet a more thorough statement of the position of the business would have prevented much of the mischief.

In contrast with the beneficial workings of the national system in this respect, the Comptroller presents below an extract from the London Bankers' Magazine for May, 1877, commenting upon the statement contained in a previous annual report to Congress. The editor says :

Our last number contained a statement as to the position of banking in the United States of America. It is not possible, as our readers know, to publish any similar statement as to banking in England. No private bank in England has, we believe, ever put forward any authorized statement as to the position of its accounts, and it is barely possible to imagine a time in which such an innovation on the established practice could occur. Most of the joint-stock banks in England now publish their accounts; even among them, however, the custom is far from universal, though the number of those who prefer to keep the state of their affairs in privacy is steadily on the decrease; and it is very desirable that this should be the case. It cannot be doubted that a statement of the position of the main facts of banking would be often of service. In times of pressure a reliable official statement would tend to allay anxiety among many, and the careful banker would obtain from it information ready to his hand which might assist him in shaping his course at such periods. No such statement, however, is possible in England at the present time. The nearest approach to any such return was made in 1875, when a great many English banks, both private and joint-stock, sent returns to Sir Stafford Northcote, in connection with the proceedings before the select committee of the House of Commons on banks of issue in that year. But the manner in which this return was made, and the fact that many banks abstained from making it, and that it was impossible to supply the names either of those banks which complied with the request, or of those who did not, render the return of no value as a basis for estimating the deposits held by English banks at the present time.

FUNDING THE NATIONAL DEBT.

One of the chief objects in view in the organization of the national system was, not only to furnish bank-notes which were safe and convertible, but to supply a steady market for and facilitate the negotiation of United States bonds; and there is no doubt that the credit of the government and its ability to borrow money at low rates of interest have

been greatly increased by making its bonds a basis for the issue of national-bank notes.

Of the United States bonds held by the national banks on November 1, 1868, and deposited with the Treasurer as security for their circulating notes, nearly three-fourths bore interest at the rate of six per cent. The amount of this class of bonds has since been gradually reduced, until it is now less than one-fourth of all the bonds held, while nearly one-fourth of the whole amount bears interest at the rate of four and one-half and four per cent. only. About one-fifth of the entire issues of the latter classes of bonds is now held by the national banks. This will be seen from the following table, which exhibits the amount and classes of bonds held as security for circulation on the 1st day of November, for each year since 1865, and the rate of interest which they respectively bear:

Date.	6 per cent. bonds.	5 per cent. bonds.	4½ per cent. bonds.	4 per cent. bonds.	Total.
November 1, 1865	\$202, 523, 350	\$78, 619, 950	.....	.....	\$281, 143, 300
November 1, 1866	244, 993, 200	90, 076, 450	.....	.....	335, 069, 650
November 1, 1867	251, 274, 800	91, 376, 450	.....	.....	342, 651, 250
November 1, 1868	252, 623, 750	88, 888, 750	.....	.....	341, 512, 500
November 1, 1869	249, 724, 650	92, 731, 300	.....	.....	342, 455, 950
November 1, 1870	247, 460, 950	97, 284, 600	.....	.....	344, 745, 550
November 1, 1871	181, 158, 600	185, 955, 850	.....	.....	367, 114, 450
November 1, 1872	173, 303, 100	211, 665, 800	.....	.....	384, 968, 900
November 1, 1873	157, 834, 950	235, 017, 150	.....	.....	392, 852, 100
November 1, 1874	145, 981, 650	239, 440, 100	.....	.....	385, 421, 750
November 1, 1875	128, 503, 212	239, 046, 200	.....	.....	367, 549, 412
November 1, 1876	103, 819, 300	223, 602, 700	\$10, 305, 800	.....	337, 727, 800
November 1, 1877	81, 984, 550	200, 090, 500	45, 089, 700	\$15, 884, 150	343, 048, 900
November 1, 1878	72, 829, 750	196, 615, 600	49, 397, 250	30, 566, 300	349, 408, 900

The government has still outstanding more than 693 millions of six per cent. and more than 703 millions of five per cent. bonds. The reduction of the interest on this amount to four per cent. would save to the government nearly 21 millions of interest annually. The funding of the six per cent. bonds into four per cents. has made rapid progress during the last year, and the banks have been of great service to the government in this process of refunding, by negotiating and absorbing a very considerable part of the new issues. Should the national system continue there is no doubt that the present rapid reduction in the burden of interest will continue also. If the national-bank system is to be abolished, and an additional amount of United States notes is to be issued, all hope of reducing the rate of interest on the public debt must be abandoned.

The larger portion of the five and six per cent. gold-bearing bonds of the United States is payable at the option of the government, and the remainder will be payable in 1881—two years hence. As already stated, 21 millions yearly may be saved to the government by funding these bonds into four per cents., while the amount which it is claimed may be annually saved by the repeal of the national-bank act and the issue of 320 millions of unconvertible Treasury notes, is 13 millions only.* With the issue of this large amount of government notes the funding of the public debt will be rendered impossible; for the pledges of the government will then be violated and its credit permanently injured.

* The currency value of the interest upon the bonds deposited as security for circulation is \$17,689,372, as is shown in a table on the next page. If from this amount be deducted ten per cent., \$1,768,937, which is the interest upon that portion of the bonds on which the banks receive no circulation, and the tax upon the circulation issued, \$3,144,680, there will remain \$12,775,755, which is the net amount of currency interest received by the banks upon ninety per cent. of the bonds deposited as security for their circulating notes.

Which is the wiser course—to continue the work of funding the debt, which has so successfully progressed during the present year, thus saving the greater amount of interest named, while adding to the credit of the country, or to attempt, by the repeal of the national-bank act, to save the less amount, and at the loss, as well, of reputation and credit? Is there not danger that attempts to remove an imaginary evil may be followed by the introduction of a real and much greater evil? Success in funding the national debt through the co-operation of two thousand of the principal monetary institutions of the country may be assured, but the effects of the issue of a large amount of irredeemable government currency cannot be foretold.

VALUE OF CIRCULATION TO THE NATIONAL BANKS.

The profit to the national banks derived from the issue of circulating notes is not great, as is frequently asserted, being but about $2\frac{1}{2}$ per cent. more per annum on the capital invested in the bonds pledged to secure the circulation than could be obtained by lending directly the same amount of capital. The table below shows the amount of bonds deposited in the Treasury on November 1, 1878, to secure national bank circulation, their various classes, their currency value, the circulation issuable thereon, and the annual interest upon them:

Class of bonds.	Par value.	Currency value.	Circulation issuable.	Annual gold interest.	Currency value of interest.
Sixes of 1881.....	\$56, 483, 450	\$61, 072, 730	\$50, 835, 105	\$3, 389, 007	\$3, 397, 480
Five-twenties of 1865, 2d series.....	825, 700	851, 503	743, 130	49, 542	49, 666
Five-twenties of 1865, 3d series, 1867s.....	8, 172, 100	8, 672, 641	7, 354, 890	490, 326	491, 552
Five-twenties of 1865, 4th series, 1868s.....	1, 764, 500	1, 905, 660	1, 588, 050	105, 870	106, 135
Ten-forties of 1864.....	70, 688, 850	75, 195, 264	63, 619, 965	3, 534, 443	3, 543, 279
Fives of 1881, funded 1881s.....	125, 926, 750	132, 223, 088	113, 334, 075	6, 296, 337	6, 312, 078
Four-and-one-halves of 1891, funded 1891s.....	49, 397, 250	51, 311, 393	44, 457, 525	2, 222, 876	2, 228, 433
Fours of 1907, consols of 1907.....	30, 566, 300	30, 566, 300	27, 509, 670	1, 222, 652	1, 225, 709
Pacific Railroad bonds.....	5, 584, 000	6, 735, 700	5, 025, 600	.....	335, 040
Total.....	349, 408, 900	368, 534, 279	314, 468, 010	17, 311, 053	17, 689, 372

It will be seen that the currency value of the bonds, which represents the amount of capital invested in their purchase, is \$368,534,279. If this amount of capital were placed at interest at eight per cent. per annum, estimated as the average rate of interest obtainable throughout the country, it would produce \$29,482,742. The annual interest on the bonds of the banks amounts, as shown by the table, to \$17,311,053 in gold and \$335,040 in currency, the total currency value of the interest on November 1, 1878 (gold being quoted at the New York stock exchange on that date at one-quarter of one per cent. premium), being \$17,689,372, which is the whole amount received annually by the banks; but as they are required to pay into the Treasury of the United States a tax of one per cent. per annum upon their circulation, which, upon the amount issuable, is \$3,144,680, the net amount of interest received by them is thereby reduced to \$14,544,692. This amount, together with the interest which the banks receive on the amount of their circulation available for use, gives the whole income derived by them from their circulation and the bonds deposited to secure it.

The amount available for use is that issuable (being 90 per cent. of the par value of the bonds pledged), less an amount equal to five per cent. thereof, which the banks are required, by the act of June 20, 1874,

to place with the Treasurer of the United States, as a redemption fund. Therefore, even if the banks could keep loaned out all the time the whole of their circulation available for use, which is in practice an impossibility, they could have free for loaning but \$298,744,610 of the \$314,468,010 issuable upon their bonds; and that amount loaned at the rate named, eight per cent. per annum, would produce \$23,899,569, which, together with the net interest received on the bonds, makes \$38,444,261 as the income derived by the banks from their bonds and circulation, as against \$29,482,742 that would be produced by lending the capital invested in the bonds directly at the same rate of interest. The difference between the two sums, which is \$8,961,519, or 2.43 per cent. on the capital invested, represents the true amount of profit that the banks can, under the most favorable circumstances, receive from their circulation.

To recapitulate:

The interest at 8 per cent. per annum on the loanable amount of circulation, which, as shown above, is \$298,744,610, is.....	\$23, 899, 569
The currency value of the interest on the bonds deposited to secure the circulation is	17, 689, 372
Gross amount received by the banks from bonds and loanable circulation..	41, 588, 941
From which deduct one per cent. of the issuable amount of circulation as the tax thereon	3, 144, 680
Net income upon the capital employed.....	38, 444, 261
The capital necessary to purchase the bonds pledged by the banks, which, as shown above, is \$368,534,279, loaned at 8 per cent. per annum would produce	29, 482, 742
Difference, representing the profit on circulation if the whole amount available for use be loaned continually throughout the year.	8, 961, 519

Two and forty-three hundredths per cent. on the capital employed (\$368,534,279) is \$8,955,383, which, as shown above, is about the value of circulation to the national banks if they could keep the whole amount of their issues loaned out all the time.

In the above calculation no deduction is made for the costs of the redemption of the bank circulation, which lessens by so much the profits on circulation. The cost of redemption for the fiscal year ending June 30, 1878, was \$317,942.48; for the year ending June 30, 1877, it was \$357,066.10; for the year ending June 30, 1876, \$365,193.31; and for the year ending June 30, 1875, \$290,965.37.

In localities where the annual rate of interest is seven per cent., the value of circulation is about two and sixty-two hundredths per cent. per annum, and where the rate is ten per cent., its value is about two and five-hundredths per cent.

The large margin (\$54,066,269) between the value of the bonds owned by the banks and the circulation issuable thereon, would, in case of disaster, be available as a reserve for the payment of the depositors or other creditors; and this is an additional argument in favor of issuing circulation under the restrictions of the law as now provided.

Another thing that should be considered in estimating the value of circulation is, that the banks held their bonds at a premium, which, though it has been greatly reduced in the past, still appears among their assets for a large amount, and which will disappear when the bonds shall mature and be paid by the United States. The amount of premium appearing as an asset of the banks on October 1, 1878, the date of the last report of their condition, is \$7,134,736.

If all of the bonds of the banks necessary to secure their circulation were converted into four per cent. bonds, the value of circulation, taking the same amounts of bonds and circulation as are used above, would be shown as follows :

Interest on \$298,744,610 of circulation, loaned at 8 per cent. per annum ..	\$23, 899, 569
Currency value of interest on bonds	14, 011, 297
Total	37, 910, 866
Less tax on circulation	3, 144, 680
Total profit on capital employed	34, 766, 186
The same capital loaned directly at 8 per cent. per annum would earn...	29, 482, 742
Difference, representing profit on circulation when the whole issue is kept loaned out	5, 283, 444
which is $1\frac{4}{10}\%$ per cent. on the capital employed.	

The average rate of State taxation upon the capital of the national banks is about two per cent. per annum; and if they should go into liquidation, and the owners of the bonds should continue to hold them, the amount of State taxation saved to them would nearly or quite equal the benefit they now derive from circulation.

NO SAVING TO THE GOVERNMENT BY THE SUBSTITUTION OF TREASURY FOR NATIONAL-BANK NOTES.

The amount of legal-tender notes outstanding is 346 millions; of national bank notes, 322 millions; making a total of 668 millions. It is not probable that additional legal-tender notes can be constitutionally issued. If, therefore, Treasury notes shall be substituted for the present national-bank notes, it is doubtful if they can be made a legal tender in the payment of all debts. Two kinds of Treasury notes will then be in circulation, one of which will be a full legal tender and the other not, even between national banks, as is now the case with their own notes. The full legal-tender notes will be of greater value than the other class, unless both are alike redeemable in gold at the commercial centers.

The banks hold among their resources 830 millions in bills receivable, and an equally large amount of other assets, a large proportion of which is readily convertible into money. Their deposits and bank balances amount to more than 600 millions, and their circulating notes are promptly redeemed, with but little expense to the holders, through the use of their assets, which represent their capital, surplus, and deposits. If more notes are issued to the banks than are necessary for the requirements of business, they can be easily retired. If a larger amount is desired, they can be readily obtained upon application in the manner provided by law. On the other hand, if the entire circulation of the country is to be issued by the government, its amount must be fixed by Congress, and can be neither increased nor diminished except by its action. The Treasury note represents no business capital, and the volume of the currency will be controlled, not by the demands of business and the wants of the country, but by the views and action of political parties and of Congress.

The government, unlike the banks, does not receive deposits nor loan money, and it must therefore provide for the redemption of its notes from its own resources. If it issues a small amount of currency, the amount of reserve required and the expense of redemption will be small; but if it issues the whole paper currency of the country, it must, when specie payments are reached, maintain a ratio of reserve equal to that of the Bank of England or the Bank of France, which is not less in either case than one-third of the amount of its issues. If the amount of government issues should reach 668 millions, which is the present volume of the currency, a reserve of 223 millions in coin must be kept on

hand. The interest upon this amount of reserve, at the lowest government rate (4 per cent.), would be \$8,920,000. The expense of issuing the notes and the cost of redemption would also be large, and the total cost to the government, including the hazards attending the issue of so large an amount of money, would not probably be less than 10 millions of dollars annually. This amount is but three millions less than that of the net annual interest received by the national banks upon their bonds, and is much greater than the profits derived by them from their entire circulation.

If the amount of Treasury notes should be largely increased, and be subject, as they will, to additional increase by each successive Congress, the ability of the government to redeem them will in time be questioned, and the amount and proportion of reserve required will need to be increased, thus adding materially to the expense attending the issue. If United States Treasury notes are substituted for the national-bank notes and specie payments are resumed, it is evident that the government will save but little, if anything, by the transaction. If not convertible, two kinds of Treasury notes, as before stated, will then be in circulation. The old legal-tender note will be preferred, separate accounts of each kind of notes will be kept, and the difference of exchange, which has practically disappeared under the present system, will again appear in every business transaction.

Nearly all of the United States bonds held by the national banks are, by the explicit terms of the acts under which they were issued, payable, both principal and interest, in coin. These coin-bearing bonds will bear a high premium in the market, in comparison with the new issues of unconvertible Treasury notes. Only three years ago, in 1875, the five and six per cent. bonds of the United States were at a premium of from 15 to 20 per cent. in Treasury notes, which were a full legal tender, and which were limited in the amount of issue. The issue of the new Treasury notes in place of national-bank notes will therefore be attended with an advance in premium upon the bonds of the government held by the banks, in amount not less than from fifty to sixty millions of dollars, and probably exceeding that sum; and if the bonds held by the banks are purchased with the proposed new issue of Treasury notes, this loss of premium must at the outset be borne by the government.

It is believed by the Comptroller that this proposed substitution is impracticable, and that the repeal of the national-bank act will result, not in an additional issue of Treasury notes, but in the restoration of State systems similar to those which were previously in operation. Secretary Chase, in his report for 1861, said that the establishment of the national-bank system would "avoid the evils of a great and sudden change in the currency, by offering inducements to solvent existing institutions to withdraw the circulation issued under State authority, and substitute that provided by the authority of the Union"; and that "through the voluntary action of the existing institutions, ordered by wise legislation, the great transition from a currency heterogeneous, unequal, and unsafe, to one uniform, equal, and safe, may be speedily and almost imperceptibly accomplished."

The national-bank act became a law on February 25, 1863, but the inducements offered by the Secretary were not sufficient to bring about, to any great extent, the conversion of existing State into national associations. Subsequently, on March 3, 1865, an act was passed, which provided "that every national banking association, State bank, or State banking association, shall pay a tax of ten per centum on the amount of notes of any State bank or State banking association paid out by them

after the first day of July, 1866." As soon as it became apparent that this bill, in effect taxing out of existence the State bank notes, would become a law, the State banks of New York, New England, and of other States, surrendered their old charters and entered into the national system; not as a matter of choice, but either because they foresaw that the banks in the national system would, in the future, possess a higher character than that of other similar institutions, or because, having always had the privilege of issuing circulating notes, they desired to retain that privilege.

According to the Comptroller's report for December, 1865, 731 State banks became national associations during the year preceding the report, and of the 1,601 national banks in operation at the close of the year named, 922 were conversions. These banks, however, almost without exception, came into the system reluctantly, but with the expectation of a continuance of their charters for twenty years, as provided in the act. They had conducted a successful business as State associations for many years previous to and during the war. They had loaned gold dollars to the people and received in return the greenback, which purchased the bonds now held as security for their circulating notes; and, therefore, contrary to the existing general belief, they did not realize large profits upon the purchase of these bonds. The restrictions of the act were burdensome and unpopular with the banks. Experience has shown them to be good, and the banks have become habituated to those prohibitions which at first were so objectionable. The strong banks, with their large surplus and deposits and loans, do not ask for a change; but others, comprising a large class, not so favorably located nor so prosperous, would welcome again the condition they once enjoyed of freedom from legal restrictions and official supervision.

The national banks, as a class, are by no means enthusiastic advocates of the national system, as is implied in the assertions of those who proclaim that these banks will form a combination or union for its defense at any hazard. No formidable combination can be organized among them to save the system from repeal. On the contrary, it will be found that large numbers of the banks will quietly acquiesce in such repeal, provided they shall be satisfied that the old State systems are certain to be revived. Bills for the repeal of the act of March 3, 1865, which taxed the State bank circulation out of existence, have been already introduced in Congress, speeches favoring this measure have, during the late canvas, been made by representatives of many States, and resolutions of chambers of commerce in many of the principal Southern cities ask for the repeal of the 10 per cent. prohibition. The national-banking system, with its restrictions and wise provisions, may, under the excitement of an unfounded prejudice, be destroyed, but its destruction will soon be followed by a revival of the old objectionable State systems, with all the evils which formerly accompanied them, and from which they are inseparable.

In New York and Massachusetts, Wisconsin, Minnesota, Iowa, and other States, provisions either of law or of the constitution now exist, which prohibit the issue of circulating notes, unless secured in a manner similar to those issued under the provisions of the national banking system. As a consequence of these laws and constitutional provisions, the bonds now held in the Treasury at Washington will be largely transferred to the capitals of many of the States, the result being that while, contrary to the expectation of many, no great saving of interest to the government will ensue, the circulating notes of State associations, secured and unsecured, will soon fill the places now occupied by the uniform circulation of the national banks. But even if this circulation shall all

be well secured, it will be impossible, under the varying legislation of different States, to secure the issue of a homogeneous currency of equal value throughout the country. Many useful restrictions may be adopted, but it would be hopeless to expect all the States to agree upon a central point of redemption outside of their own respective boundaries, or upon a uniform system of cash reserve, or upon similarity in form of public statements. State lines, as formerly, will bound the field of circulation of many of the Southern and Western issues, while the notes of New York and New England will not only monopolize the field within their own boundaries, but will successfully contest the privilege of circulation in those States remote from the commercial centers, which have no Eastern agency for the redemption of their notes. Eastern communities will suffer comparatively little from the unsound issues of other States, but those which are less favored with capital will, as of old, be the chosen field for the establishment of illegitimate corporations. The cost of exchange, which under the present system has, during the last fifteen years, nearly disappeared, will be again revived. The rate will not, perhaps, be so large as in former times, but yet large enough to be a grievous burden upon the business of the country.

Few persons have a just conception of the many advantages possessed by a homogeneous currency, fully secured, the issue of a single system, redeemable at a common point, and exempt from the discount occasioned by an irregularity of value in different localities. Great pains have been taken to obtain an estimate of the amount of exchange issued annually upon New York by the Western and Southern States. The amount drawn upon New York alone is estimated at nearly three thousand millions of dollars annually; and it will not probably be an exaggeration to say that not less than four thousand millions of dollars are annually drawn in exchange by the West and South upon the East. The amounts drawn upon each other by the banks in the commercial cities and States of the East is also great. In 1859 the average cost of Southern and Western exchange upon New York, was not less than from 1 to $1\frac{1}{2}$ per cent. If this latter rate should be restored, the cost of exchange alone would be sixty millions annually; while if the rate were but one-half of one per cent., which was the current rate in the State of New York in the year 1860, a loss in exchange of twenty millions annually would ensue, to say nothing of the loss upon the issues of banks not properly organized.

The overthrow of the present well-established system, with its abundant capital and reserve, its large surplus, and its wise provisions, will be succeeded, either by two kinds of government notes, one or both at a discount for gold and of unequal current value, or by circulating notes issued under State authority. Either system will be bad. The one will be subject to the changing opinion of each successive Congress, and the other to the independent caprice of the legislatures of forty States.

The proposition is, to save money to the government by placing the principal existing monetary institutions of the country in liquidation at a time when specie payment is assured. There will be no saving to the government, but a loss of millions of dollars annually to the people, which loss will increase yearly with the growth of business and commerce between the different States.

Since 1863 the measure of value has been subject to such frequent changes that business men, no matter how careful their calculations or prudent their arrangements, have been continually deceived by the false regulator which measures every transaction. If any single day is selected, for the purpose of comparison, from the business days of each

of the last sixteen years, the measure of value will be found to have been as variable as the thermometer. This will be clearly seen in the following table, which gives the value, in standard gold coin, of the legal-tender paper dollar on July 1 of each year from 1864 to 1878, and also its value on November 18 of the present year:

1864.	1865.	1866.	1867.	1868.	1869.	1870.	1871.	1872.	1873.	1874.	1875.	1876.	1877.	1878.	1878.
<i>Cts.</i> 38.7	<i>Cts.</i> 70.4	<i>Cts.</i> 66.0	<i>Cts.</i> 71.7	<i>Cts.</i> 70.1	<i>Cts.</i> 73.5	<i>Cts.</i> 85.6	<i>Cts.</i> 89.0	<i>Cts.</i> 87.5	<i>Cts.</i> 86.4	<i>Cts.</i> 91.0	<i>Cts.</i> 87.2	<i>Cts.</i> 89.2	<i>Cts.</i> 94.5	<i>Cts.</i> 99.4	<i>Cts.</i> 99.8

In 1864 the value both of the Treasury note and the national-bank note was less than thirty-nine cents to the dollar. They are now alike worth ninety-nine and eighty-seven one-hundredths cents. It is within the province of the present Congress to discountenance henceforth in this country the use of a false and fluctuating measure of value, and to insure in its stead the use of a measure which is everywhere recognized as honest and true. The business interests of this country demand a permanent system of finance, free from the influence of political parties and from the ever-varying opinions of legislative bodies.

President Lincoln, in his annual message to Congress of December 1, 1862, said :

The condition of the finances will claim your most diligent consideration. The vast expenditures incident to the military and naval operations required for the suppression of the rebellion, have hitherto been met with promptitude, and certainty, unusual in similar circumstances; and the public credit has been fully maintained. The continuance of the war, however, and the increased disbursements made necessary by the augmented forces now in the field, demand your best reflections as to the best modes of providing the necessary revenue, without injury to business, and with the least possible burdens upon labor.

The suspension of specie payments by the banks, soon after the commencement of your last session, made large issues of United States notes unavoidable. In no other way could the payment of the troops, and the satisfaction of other just demands, be so economically, or so well provided for. The judicious legislation of Congress, securing the receivability of these notes for loans and internal duties, and making them a legal tender for other debts, has made them an universal currency; and has satisfied, partially, at least and for the time, the long-felt want of an uniform circulating medium, saving thereby to the people, immense sums in discounts and exchanges.

A return to specie payments, however, at the earliest period compatible with due regard to all interests concerned, should ever be kept in view. Fluctuations in the value of currency are always injurious, and to reduce these fluctuations to the lowest possible point will always be a leading purpose in wise legislation. Convertibility, prompt and certain convertibility into coin, is generally acknowledged to be the best and surest safeguard against them; and it is extremely doubtful whether a circulation of United States notes, payable in coin, and sufficiently large for the wants of the people, can be permanently, usefully, and safely maintained.

Is there, then, any other mode in which the necessary provision for the public wants can be made, and the great advantages of a safe and uniform currency secured? I know of none which promises so certain results, and is, at the same time, so unobjectionable as the organization of banking associations, under a general act of Congress, well guarded in its provisions. To such associations the government might furnish circulating notes, on the security of United States bonds deposited in the Treasury.

These notes, prepared under the supervision of proper officers, being uniform in appearance and security, and convertible always into coin, would at once protect labor against the evils of a vicious currency, and facilitate commerce by cheap and safe exchanges. A moderate reservation from the interest on the bonds would compensate the United States for the preparation and distribution of the notes, and a general supervision of the system, and would lighten the burden of that part of the public debt employed as securities. The public credit, moreover, would be greatly improved, and the negotiation of new loans greatly facilitated by the steady market demand for government bonds which the adoption of the proposed system would create.

It is an additional recommendation of the measure, of considerable weight, in my judgment, that it would reconcile, as far as possible, all existing interests, by the oppor-

tunity offered to existing institutions to reorganize under the act, substituting only the secured uniform national circulation for the local and various circulation, secured and unsecured, now issued by them.

In his annual message of December 8, 1863, he refers to the same subject as follows :

The operations of the Treasury during the last year have been successfully conducted. The enactment by Congress of a national-banking law has proved a valuable support of the public credit ; and the general legislation in relation to loans has fully answered the expectations of its favorers. Some amendments may be required to perfect existing laws ; but no change in their principles or general scope is believed to be needed. Since these measures have been in operation, all demands on the Treasury, including the pay of the army and navy, have been promptly met and fully satisfied. No considerable body of troops, it is believed, were ever more amply provided, and more liberally and punctually paid ; and it may be added that by no people were the burdens incident to a great war ever more cheerfully borne.

In his message of December 6, 1864, he again refers to the subject, and says :

The national-banking system is proving to be acceptable to capitalists and to the people. On the twenty-fifth day of November five hundred and eighty-four national banks had been organized, a considerable number of which were conversions from State banks. Changes from State systems to the national system are rapidly taking place, and it is hoped that, very soon, there will be in the United States no banks of issue not authorized by Congress, and no bank-note circulation not secured by the government. That the government and the people will derive great benefit from this change in the banking systems of the country can hardly be questioned. The national system will create a reliable and permanent influence in support of the national credit, and protect the people against losses in the use of paper money*. Whether or not any further legislation is advisable for the suppression of State bank issues, it will be for Congress to determine. It seems quite clear that the Treasury cannot be satisfactorily conducted unless the government can exercise a restraining power over the bank-note circulation of the country.

More than a year before the passage of the national-bank act, Secretary Chase, in referring to the proposed system, said :

Its principal features are, first, a circulation of notes bearing a common impression and authenticated by a common authority ; second, the redemption of these notes by the associations and institutions to which they may be delivered for issue ; and, third, the security of that redemption by the pledge of United States stocks and an adequate provision of specie. In this plan the people, in their ordinary business, would find the advantages of uniformity in currency ; of uniformity in security ; of effectual safeguard, if effectual safeguard is possible, against depreciation ; and of protection from losses in discounts and exchanges ; while in the operations of the government the people would find the further advantage of a large demand for government securities, of increased facilities for obtaining the loans required by the war, and of some alleviation of the burdens on industry, through a diminution in the rate of interest or a participation in the profit of circulation, without risking the perils of a great money monopoly. A further and important advantage to the people may be reasonably expected in the increased security of the Union, springing from the common interest in its preservation, created by the distribution of its stocks to associations throughout the country as the basis of their circulation.

The Secretary entertains the opinion that if a credit circulation in any form be desirable it is most desirable in this. The notes thus issued and secured would, in his judgment, form the safest currency which this country has ever enjoyed, while their receivability for all government dues, except customs, would make them, wherever payable, of equal value as a currency in every part of the Union. The large amount of specie now in the United States will easily support payments of duties in coin, while these payments and ordinary demands will aid in retaining this specie in the country as a solid basis, both of circulation and loans.

The whole circulation of the country, except a limited amount of foreign coin, would, after the lapse of two or three years, bear the impress of the nation, whether in coin or notes ; while the amount of the latter, always easily ascertainable and, of course, always generally known, would not be likely to be increased beyond the real wants of business. He expresses an opinion in favor of this plan with the greater confidence, because it has the advantage of recommendation from experience. It is not an untried theory. In the State of New York, and in one or more of the other States, it has been subjected in its most essential parts to the test of experiment, and has been found practicable and useful. The probabilities of success will not be diminished but increased by its adoption under national sanction and for the whole country.

These anticipations have been realized. The national banks have held, almost continually, nearly one-fifth of the bonds of the United States, thus increasing the value of these bonds and the credit of the government, so that, when recently returned to us in large amounts from abroad, they could be taken at home without depreciation, and they have also furnished a currency both safe and uniform. If the banks have received a profit from their circulation, the discounts and exchanges and the rates of interest in most of the States have been reduced, and the people have thus participated in that profit. Their notes are of equal value in every part of the Union, and the whole circulation of the country, both paper and coin, bears the impress of the nation. The amount of coin held by the country is now much larger than then estimated, the amount held by the Treasury Department being 160 millions, and the total coin and bullion in the country being estimated by the Director of the Mint at more than 358 millions. This amount is constantly increasing, and it is to-day "a solid basis" for circulation. Congress has fixed the day for the restoration of the specie standard, and the legislation needed is that which will not overthrow but co-operate with the present well-managed monetary institutions of the country in accomplishing this result. When this is done the present banking system, if then thought desirable, may be modified without danger to the credit or the business and commercial interests of this great nation.

RESUMPTION AND RESERVE.

The law provides that banks in New York City shall hold a cash reserve of 25 per cent. upon their deposits, and that banks in the other principal cities shall hold an equal ratio of reserve, one-half of which must be in bank, while the remainder may be on deposit in New York. All other banks must hold a reserve of 15 per centum upon deposits, two-fifths of which must be on hand in lawful money, and the remainder may be on deposit with banks in the reserve cities. The amount of reserve held on the first day of October last was greater than that required by law, as may be seen by reference to the following table:

Cities.	No. of banks.	Circulation.	Net deposits.	Legal-tender funds.	Due from reserve agents.	Total reserve funds.	Ratio of legal-tender funds to—		Ratio of reserve funds to circulation and deposits.
							Circulation.	Deposits.	
		<i>millions</i>	<i>millions</i>	<i>millions</i>	<i>millions</i>	<i>millions</i>	<i>per cent.</i>	<i>per cent.</i>	<i>per cent.</i>
New York.....	47	20.03	189.79	50.92	.....	50.92	254.3	26.8	24.3
Boston.....	54	25.89	63.71	10.54	9.77	20.31	40.7	16.5	22.7
Albany.....	7	1.60	7.57	1.14	1.68	2.82	71.0	15.0	30.7
Philadelphia.....	31	11.73	43.19	10.55	4.83	15.38	89.1	24.4	28.0
Pittsburgh.....	22	5.72	11.82	2.76	1.71	4.47	48.4	23.4	25.5
Baltimore.....	14	5.36	13.04	2.74	1.78	4.52	51.1	21.0	24.6
Washington.....	6	0.80	1.73	0.36	0.30	0.66	44.9	20.8	26.0
New Orleans.....	7	1.38	5.00	1.44	0.35	1.79	104.0	28.8	28.1
Louisville.....	8	2.34	3.42	0.63	0.35	0.98	26.8	18.4	17.0
Cincinnati.....	6	3.10	8.12	2.04	1.08	3.12	65.7	25.1	27.8
Cleveland.....	6	1.87	5.45	1.39	1.67	3.06	74.4	25.5	41.9
Chicago.....	9	0.47	21.63	5.18	3.03	8.21	1106.0	24.0	37.1
Detroit.....	4	1.16	4.53	0.96	1.34	2.30	82.6	21.1	40.3
Milwaukee.....	3	0.20	2.53	0.37	0.38	0.75	183.1	14.7	27.4
Saint Louis.....	5	0.35	6.07	1.04	0.74	1.78	295.6	17.2	27.7
San Francisco.....	2	0.67	1.43	0.87	0.05	0.92	129.8	60.7	43.8
Totals.....	231	82.67	389.03	92.93	29.06	121.99	112.4	23.9	25.9
Other banks.....	1,822	219.22	288.30	50.02	56.02	106.04	22.8	17.4	20.9
Aggregates..	2,053	301.89	677.33	142.95	85.08	228.03	47.3	21.1	23.3

The amount of legal tender funds held by the banks in New York City on October 1 was \$50,921,576, which was 26.8 per cent. upon their deposits and 24.3 per cent. upon circulation and deposits. The amount held by the banks in the principal cities, including New York, was \$92,934,123, or 112.4 per cent. upon their circulation, and 23.9 per cent. upon their deposits; and the total cash reserve of all the national banks was \$142,955,718, or 47.3 per cent. of the total outstanding circulation of the banks then in operation, and 21.1 per cent. of their deposits. This reserve consisted of \$30,688,606 of specie, \$97,061,571 of legal-tender notes, and \$15,205,541 deposited in the Treasury for the redemption of circulating notes. It is evident that the banks are well prepared to redeem their circulating notes in legal-tender notes, in accordance with law. The national and State banks in New York City and in Boston have already signified their intention to co-operate with the Treasury Department in the resumption of specie payments, which takes place on the 1st day of January next, as provided by law, as may be seen from the late action of the Clearing House Association of that city, which will be found upon another page. It is for the interest not only of the banks with their large assets, but also of the depositors of more than 800 millions of dollars in savings banks, as well as depositors in other banks, to encourage resumption and permanently fix the coin value of their deposits. The legal-tender note will then become a coin certificate payable on demand at the office of the Assistant Treasurer of New York, and will be more convenient and desirable for general use than coin itself.

The Treasury department owns 140 millions of coin, which is equal to more than forty per cent. of the entire issues of the legal-tender notes, and is available for their redemption, while the banks hold nearly one-third of the legal-tender notes. If, therefore, the banks of the country co-operate with the Treasury, it is impossible that resumption shall fail. But even if this co-operation should not be universal, it could not affect the ultimate result; for if any considerable portion of the legal-tender notes be exchanged for coin at the Treasury and withdrawn from use, the notes will become scarce and the coin be forced into circulation to supply the requirements of business and fill the gap. The coin will soon thereafter be returned to the Treasury in payment of customs duties and internal-revenue taxes, and offered in exchange for the greenback coin-certificates, which will be more generally acceptable to the people, for the same reason that the notes of the Bank of England and of the Bank of France are now preferred to coin.

But while it is conceded that both the Treasury and the banks can readily redeem their circulating notes, it is said that it will not be possible for the banks to provide for their deposits. In answer to this statement the Comptroller repeats what has been previously said by him:

Those who take this view proceed on the assumption that the banks will be called upon to pay their deposits in specie. This was not true during any former period of specie payment, and is less likely to be true under the national banking system than it was under any previous system of banking. The banks in this country, from their first organization, have, in times of resumption as well as of suspension, received from their dealers current bank-notes and have paid out the same. This is true to-day in England, Scotland, Germany, and France, in all of which countries the bank-note is preferred, as a rule, to either gold or silver. Only a small portion of the bank circulation of the country, at any period prior to 1863, was either safe or convertible; yet even this circulation, poor as it was, was freely received by the banks outside of the commercial cities, and was paid out by them to their depositors, so closely identified were the interests of the one with the other. The notes which were returned from the commercial centers for redemption were readily paid out and circulated at home, and

the demand for specie, wherever it existed, was almost entirely owing either to an excess of currency or to a want of confidence in the institutions which issued it.

The people throughout the country now know that the national-bank notes are safe, and that if these notes are not paid at the counters of the banks which issued them they will be paid at the Treasury Department in lawful money, and that the securities held for their redemption are amply sufficient for that purpose. No reason therefore exists why the people, who, in the last fourteen years, have not lost one dollar through the use of bank-notes, should decline to receive such notes in payment of their deposits. These notes are not only guaranteed by the government, but they are received by it in payment of all taxes and other dues except duties on imports, and are disbursed by it in payment of all demands except interest on the public debt, and in the redemption of national-bank notes.

The national banks hold eight hundred and eighty millions of loans made to the people, and each bank is required, by section 5196 of the Revised Statutes, "to take and receive at par, for any debt or liability to it, any and all notes or bills issued by any lawfully-organized national banking association." There are, therefore, eight hundred and eighty millions of liabilities of the people due to the national banks—a sum largely exceeding the whole amount of deposits—which may be paid in the notes of any or all of the national banks in the country. The national-bank notes are therefore very different in character from the heterogeneous bank-notes formerly issued by authority of the several States. Moreover, the deposits of the banks are largely owned by their own shareholders and by their borrowers; and surely business men, who look to the banks for accommodations, and stockholders, whose profits depend upon their successful management, will be the last to conspire to injure their credit.

Deposits consist chiefly of bank-credits, are derived largely from the discount of commercial paper, and are paid mainly by transfers upon the books—not with either coin or currency. Throughout the country all large payments are made, not with money, but with checks. In the principal cities these payments are accomplished through the operations of clearing-houses. During the last twenty-four years the exchanges of the New York clearing-house were 454 thousand millions, while the balances paid in money were less than 19 thousand millions. The average daily exchanges during this whole period were more than sixty-one millions, while the average daily balances paid in money were but two and one-half millions, or but four and one-fifth cents upon the dollar, as will be seen by a table on another page.

Immediately after resumption in England, in 1821, there was but little demand for gold, and the same was true in France after resumption by the Bank of France in 1850, and in this country in 1838 and 1858. The Bank of France is at present in a state of suspension,* but its notes are preferred by the public to specie, and the bank has found it difficult to reduce the volume of its circulating notes in exchange for coin. All thought of demanding actual payment in specie will vanish as soon as resumption is assured, and those timid bankers who fear that coin will be demanded for every dollar of their deposits can reassure themselves by an agreement with their dealers that their deposits shall be payable, as at the present time, "in current funds," which will then consist of legal-tender notes and the notes of specie-paying banks.

RECENT ACTION OF THE NEW YORK CLEARING-HOUSE IN REFERENCE TO RESUMPTION—ITS EXCHANGES SINCE ORGANIZATION.

The New York Clearing-House Association, which is composed of forty-five national and thirteen State banks, has, during the present month, consummated an arrangement with this department greatly facilitating the payment of drafts and checks which constantly pass between the office of the assistant treasurer and the banks. The basis of this arrangement is as follows:

First. Hereafter, drafts drawn upon any bank represented in the Clearing-House Association in the city of New York, received by the assistant treasurer in that city, may be presented to such bank at the clearing-house for payment.

Second. Hereafter, drafts drawn upon the assistant treasurer at New York may be adjusted by him at the clearing-house, and the balance due from the United States may be paid at his office in United States notes or clearing-house certificates.

* Since this was written the Bank of France has resumed, and there has been no special demand for coin, the transition having taken place almost imperceptibly.

Third. After the 1st of January next payment of checks presented to the assistant treasurer by any bank connected with the clearing-house may be made by him in United States notes.

The Association subsequently adopted a report, and the following propositions for the guidance of the banks in the transaction of business; after the first day of January, 1879, which propositions have also since been adopted by the Clearing-House in Boston:

1. Decline receiving gold coins as "special deposits," but accept and treat them only as "lawful money."

2. Abolish special exchanges of gold checks at the clearing-house.

3. Pay and receive balances between banks at clearing house either in gold or United States legal tender.

4. Receive silver dollars upon deposit only under special contract to withdraw the same in kind.

5. Prohibit payments of balances at clearing-house in silver certificates or in silver dollars, excepting as subsidiary coin in small sums (say under \$10).

6. Discontinue gold special accounts by notice to dealers to terminate them on 1st January next.

The following is an extract from the report referred to:

There are diverse views honestly entertained respecting the relative merits and powers of circulating notes, of banks or of government, as to which will best promote the public interests and meet the requirements of the people. Avoiding all discussion of this subject as not pertinent to the immediate occasion, let us accept the situation as it now exists, and as it will continue until after the day of resumption, and remit all such questions to the test of future experience.

At present there is a marked distinction made in the daily transactions of banks between their deposits of gold and their deposits of currency, by treating the former as a special fund, payable in kind. It must be evident that if this discrimination continues to be made after resumption, it will prolong the idea of the inferiority of circulating notes after they have been declared to be restored to an equality with gold by becoming interchangeable, and will therefore falsify the proclamation of the government. It will not only be a practical denial by the banks of the sincere purpose of the government to maintain its resolution, but, by affording protection and facility to those who draw coin from the Treasury, will place the moral force and power of the banks in direct opposition to the effort of government.

Specie payments will not have been truly accomplished until all distinctions in the use of gold coin and currency as money are obliterated in ordinary commercial transactions.

To make resumption effective, the banks must cordially co-operate by practically treating lawful currency and gold coin as equivalent in value, as they did before the war, declining to receive all deposits of gold as subject to special contract as hitherto, and accepting it only as lawful money. They should also abolish all existing arrangements in which gold coin is preferred, by giving notice that they will expire on the 1st January next, the day of resumption, and terminate all special gold exchanges at the clearing-house.

If the government, also, forbearing all further legislation upon the subject, will discontinue the issue of gold-certificates at the Treasury, and regard gold coin as practically the equivalent of lawful money in all its disbursements, the distinction which has so long existed between coin and currency will rapidly fade away, and natural law will reassert its beneficent dominion over our financial affairs. Resumption of the coin standard being assured, it is entirely safe to leave the circulating notes to find their true place, as their constitutional merits and the demands of trade and the public interest may naturally determine. But resumption of the coin standard can be successfully reached only by the fearless disbursement of gold both by banks and government, and by such unreserved and confident action as will manifest to the public that they are working harmoniously together, and feel the utmost assurance of its practicability and permanence.

The exchanges at the clearing-house in New York City for the year ending October 1, 1878, were nearly twenty thousand millions, and the balances paid in money were about nine hundred and fifty millions. The average daily exchanges were about sixty-five millions, and the average daily balances paid in money were but about three and one-tenth millions, or only 4.8 per cent. of the amount of the settlements.

The New York clearing-house was organized in 1853, and the following table exhibits its transactions, and the amount and ratio of currency

required for the payment of daily balances, yearly, for the last twenty-five years:

Years.	No. of banks.	*Capital.	Exchanges.	Balances paid in money.	Average daily exchanges.	Average daily bal-ances paid in money.	Ra-tios.
1854.....	50	\$47, 044, 900	\$5, 750, 455, 987	\$297, 411, 494	\$19, 104, 505	\$988, 078	<i>Pr. ct.</i> 5. 2
1855.....	48	48, 884, 180	5, 362, 912, 098	289, 694, 157	17, 412, 052	940, 565	5. 4
1856.....	50	52, 883, 700	6, 906, 213, 328	334, 714, 489	22, 278, 108	1, 079, 724	4. 8
1857.....	50	64, 420, 200	8, 333, 226, 718	365, 313, 902	26, 968, 371	1, 182, 246	4. 4
1858.....	46	67, 146, 018	4, 756, 664, 386	314, 238, 911	15, 393, 736	1, 016, 954	6. 6
1859.....	47	67, 921, 714	6, 448, 005, 956	363, 934, 683	20, 867, 333	1, 177, 944	5. 6
1860.....	50	69, 907, 435	7, 231, 143, 057	380, 693, 438	23, 401, 757	1, 232, 018	5. 3
1861.....	50	68, 900, 605	5, 915, 742, 758	353, 383, 944	19, 269, 520	1, 151, 088	6. 0
1862.....	50	68, 375, 820	6, 871, 443, 591	415, 530, 331	22, 237, 682	1, 344, 758	6. 0
1863.....	50	68, 972, 508	14, 867, 597, 849	677, 626, 483	48, 428, 658	2, 267, 252	4. 6
1864.....	49	68, 586, 763	24, 097, 196, 656	885, 719, 205	77, 984, 455	2, 866, 465	3. 7
1865.....	55	80, 363, 013	26, 032, 384, 342	1, 035, 765, 108	84, 796, 040	3, 373, 828	4. 0
1866.....	58	82, 370, 200	28, 717, 146, 914	1, 066, 135, 106	93, 541, 195	3, 472, 753	3. 7
1867.....	58	81, 770, 200	28, 675, 159, 472	1, 144, 963, 451	93, 101, 167	3, 717, 414	4. 0
1868.....	59	82, 270, 200	28, 484, 288, 637	1, 125, 455, 237	92, 182, 164	3, 642, 250	4. 0
1869.....	59	82, 720, 200	37, 407, 028, 987	1, 120, 318, 308	121, 451, 393	3, 637, 397	3. 0
1870.....	61	83, 620, 200	27, 804, 539, 406	1, 036, 484, 822	90, 274, 479	3, 365, 210	3. 7
1871.....	62	84, 420, 200	29, 300, 986, 682	1, 209, 721, 029	95, 133, 074	3, 927, 666	4. 1
1872.....	61	84, 420, 200	32, 636, 997, 404	1, 213, 293, 827	105, 964, 277	3, 939, 266	3. 7
1873.....	59	83, 370, 200	33, 972, 773, 943	1, 152, 372, 108	111, 022, 137	3, 765, 922	3. 4
1874.....	59	81, 635, 200	20, 850, 681, 963	971, 231, 281	68, 139, 484	3, 173, 958	4. 7
1875.....	59	80, 435, 200	23, 042, 276, 858	1, 104, 346, 845	75, 301, 558	3, 608, 977	4. 8
1876.....	59	81, 731, 200	19, 874, 815, 361	1, 009, 532, 037	64, 738, 812	3, 288, 381	5. 1
1877.....	58	71, 085, 200	20, 876, 555, 937	1, 015, 256, 483	68, 447, 724	3, 328, 710	4. 9
1878.....	57	63, 611, 500	19, 922, 733, 947	951, 970, 454	65, 106, 974	3, 111, 015	4. 8
		†72, 674, 670	‡474, 138, 972, 237	‡19, 835, 157, 113	†61, 705, 866	†2, 581, 591	4. 2

NATIONAL-BANK AND LEGAL-TENDER NOTES, BY DENOMINATIONS.

The subjoined table exhibits, by denominations, the amount of national-bank and legal-tender notes outstanding on November 1, 1878:

Denominations.	Amount of national - bank notes.	Amount of legal-tenders.	Total.
Ones	\$4, 284, 219	\$20, 368, 531	\$24, 652, 750
Twos	2, 582, 146	20, 332, 920	22, 915, 066
Fives	92, 539, 275	55, 576, 740	148, 116, 015
Tens	102, 981, 440	65, 926, 631	168, 908, 071
Twenties	68, 219, 780	63, 565, 929	131, 785, 709
Fifties	20, 967, 800	26, 691, 195	47, 658, 995
One-hundreds	27, 104, 400	31, 227, 070	58, 331, 470
Five-hundreds	657, 500	30, 501, 500	31, 159, 000
Thousands	304, 000	33, 450, 500	33, 794, 500
Add for fractions of notes not presented or destroyed	11, 561	.....	11, 561
Totals	319, 652, 121	347, 681, 016	667, 333, 137
Deduct for legal-tenders destroyed in Chicago fire .....	.....	1, 000, 000	1, 000, 000
Balances	319, 652, 121	346, 681, 016	666, 333, 137

Section 5175 of the Revised Statutes provides “that not more than one-sixth part of the notes furnished to any association shall be of a less denomination than five dollars, and that after specie payments are resumed, no association shall be furnished with notes of a less denomination than five dollars.” In view of this provision, the printing of one and two dollar notes was discontinued on November 1 last, and it is not expected that any notes of these denominations will be issued after the close of the present year. Section 5182 of the Revised Statutes requires that the circulating notes of national banks shall be “signed by the president or

* The capital stock is stated at various dates, the amount at a uniform date in each year not being obtainable.
† Yearly averages for twenty-five years. ‡ Totals for twenty-five years.

vice-president and cashier thereof.” The written signature of at least one bank officer is necessary, as a check between this office and the issuing bank; for, if the question of an overissue of notes should arise, the signature of such officer would be a means of determining the genuineness of the note. A number of banks, however, issue their notes with printed signatures, and in some cases with lithographic ones, which are frequently so badly executed as to excite suspicion as to the genuineness of the notes. The Comptroller, in his last report, recommended an amendment of section 5182 of the Revised Statutes, imposing a penalty of twenty dollars for every note issued by a national bank without the written signature of at least one of the officers of the bank, which recommendation is now renewed.

PUBLIC DEBT AT ITS MAXIMUM—CURRENCY AND ITS COIN VALUE.

The public debt reached its maximum on August 31, 1865, when it amounted to \$2,845,907,626, composed as follows:

Funded debt.....	\$1,103,568,192
Matured debt.....	1,503,020
Temporary loans.....	107,148,713
Certificates of debt.....	85,093,000
Five per cent. legal-tender notes.....	33,954,230
Compound-interest legal-tender notes.....	217,024,160
Seven-thirty notes.....	830,000,000
United States notes, (legal-tenders).....	433,130,569
Fractional currency.....	26,344,742
Suspended requisitions uncalled for.....	2,111,000
Total.....	2,845,907,626

Of these obligations \$684,138,959 were a legal tender in the payment of all debts, public and private, except customs duties and interest on the public debt.

The amount of legal-tender notes, demand notes, fractional currency, and national-bank notes, outstanding on August 31, 1865, and annually thereafter, from January 1, 1866, to January 1, 1878, and the amounts outstanding November 1, 1878, are shown by the following table, together with the currency price of gold and the gold price of currency at each date:

Date.	United States issues.			Notes of national banks, including gold notes.	Aggregate.	Currency price of \$100 gold.	Gold price of \$100 currency.
	Legal-tender notes.	Old demand notes.	Fractional currency.				
Aug. 31, 1865	\$432,757,604	\$402,965	\$26,344,742	\$176,213,955	\$635,719,266	\$144 25	\$69 32
Jan. 1, 1866	425,839,319	392,070	26,000,420	298,588,419	750,820,228	144 50	69 20
Jan. 1, 1867	380,276,160	221,682	28,732,812	299,846,206	709,076,860	133 00	75 18
Jan. 1, 1868	356,000,000	159,127	31,597,583	299,747,569	687,504,279	133 25	75 04
Jan. 1, 1869	355,892,975	128,098	34,215,715	299,629,322	689,866,110	135 00	74 07
Jan. 1, 1870	356,000,000	113,098	39,762,664	299,904,029	695,779,791	120 00	83 33
Jan. 1, 1871	356,000,000	101,086	39,995,089	306,307,672	702,403,847	110 75	90 29
Jan. 1, 1872	357,500,000	92,891	40,767,877	328,465,431	726,826,109	109 50	91 32
Jan. 1, 1873	358,557,907	84,387	45,722,061	344,582,812	748,947,167	112 60	89 28
Jan. 1, 1874	378,401,702	79,637	48,544,792	350,848,236	777,874,367	110 25	90 70
Jan. 1, 1875	382,000,000	72,317	46,390,598	354,128,250	782,591,165	112 50	88 89
Jan. 1, 1876	371,827,220	69,642	44,147,072	346,479,756	762,523,690	112 75	88 69
Jan. 1, 1877	366,055,084	65,462	26,348,206	321,595,606	714,064,358	107 00	93 46
Jan. 1, 1878	349,943,776	63,532	17,764,109	321,672,505	689,443,922	102 87	97 21
Nov. 1, 1878	346,681,016	62,065	16,211,193	322,460,715	685,414,989	100 25	99 75

NATIONAL-BANK CIRCULATION.

The following table exhibits by States and geographical divisions the number of banks organized and in operation, with their capital, bonds

on deposit, and circulation issued, redeemed, and outstanding on the 1st day of November, 1878:

States and Territories.	Banks.			Capital.	Bonds.	Circulation.		
	Organized.	In liquidation.	In operation.	Capital paid in.	Bonds on deposit.	Issued.	Redeemed.	Outstanding.
Maine.....	74	2	72	\$10,660,000	\$9,626,250	\$20,538,580	\$11,738,656	\$8,799,924
New Hampshire.....	47	1	46	5,740,000	5,769,000	12,118,075	6,923,328	5,194,747
Vermont.....	50	3	47	8,533,000	7,662,500	18,973,600	11,627,106	7,352,434
Massachusetts.....	242	5	237	95,407,000	72,221,950	166,473,645	102,777,080	63,696,565
Rhode Island.....	62	1	61	20,009,800	14,254,400	35,026,715	21,976,505	13,050,210
Connecticut.....	86	4	82	25,504,620	20,323,700	47,555,410	29,564,017	17,991,393
Totals, Eastern States..	561	16	545	165,854,420	129,857,800	300,692,025	184,606,752	116,085,273
New York.....	340	60	280	90,689,691	55,766,300	169,862,715	118,990,888	50,871,827
New Jersey.....	71	2	69	13,858,350	12,626,350	29,531,520	18,172,195	11,359,325
Pennsylvania.....	257	22	235	55,909,840	46,677,650	109,208,135	66,960,830	42,247,305
Delaware.....	14	.....	14	1,763,985	1,549,200	3,432,665	2,000,605	1,432,060
Maryland.....	34	2	32	12,865,010	7,821,000	22,314,450	14,614,276	7,700,174
Totals, Middle States.....	716	86	630	175,086,876	124,440,500	334,349,485	220,738,794	113,610,691
Dist. of Col.....	11	4	7	1,507,000	1,155,000	3,549,600	2,459,001	1,090,599
Virginia.....	29	11	18	3,285,000	2,529,850	7,226,270	4,865,578	2,360,692
West Virginia.....	20	5	15	1,756,000	1,458,000	4,941,430	3,393,022	1,548,408
North Carolina.....	15	.....	15	2,551,000	1,764,000	3,986,200	2,272,720	1,713,480
South Carolina.....	12	.....	12	2,851,100	1,490,000	3,580,325	2,230,960	1,349,365
Georgia.....	17	5	12	2,041,000	1,925,000	4,817,790	2,891,381	1,926,409
Florida.....	2	1	1	50,000	50,000	59,500	15,700	43,800
Alabama.....	11	1	10	1,658,000	1,621,000	2,990,130	1,511,142	1,478,988
Mississippi.....	2	2	.....	.....	.....	66,000	65,389	611
Louisiana.....	11	4	7	3,475,000	1,820,000	6,557,760	4,533,224	2,024,536
Texas.....	12	1	11	1,100,000	680,000	1,686,420	1,149,415	537,005
Arkansas.....	3	1	2	205,000	205,000	531,900	280,307	251,593
Kentucky.....	55	7	48	9,936,500	8,546,350	18,039,495	9,812,155	8,227,340
Tennessee.....	32	7	25	3,080,300	2,754,500	6,400,280	3,832,947	2,567,333
Missouri.....	43	21	22	7,175,000	2,000,000	10,947,375	8,602,943	2,344,432
Totals, Southern States..	275	70	205	40,670,900	27,998,700	75,380,475	47,915,884	27,464,591
Ohio.....	196	34	162	26,986,900	23,157,250	56,231,270	34,845,147	21,386,123
Indiana.....	115	21	94	15,026,530	12,918,500	34,542,755	22,144,156	12,398,599
Illinois.....	165	26	139	17,194,600	9,988,500	33,574,905	23,659,677	9,915,228
Michigan.....	90	11	79	9,514,500	6,275,750	16,253,190	10,255,860	5,997,330
Wisconsin.....	56	18	38	3,315,000	2,094,500	7,165,660	4,878,370	2,287,290
Iowa.....	99	23	76	5,927,000	4,557,000	12,427,740	8,038,221	4,389,519
Minnesota.....	39	8	31	4,968,700	2,679,400	7,124,660	4,502,396	2,622,264
Kansas.....	27	16	11	800,000	740,000	2,813,680	1,891,161	922,519
Nebraska.....	12	2	10	1,000,000	844,000	1,853,340	1,112,106	741,234
Totals, Western States...	799	159	640	84,733,230	63,254,900	171,987,200	111,327,094	60,660,106
Nevada.....	1	1	.....	.....	.....	131,700	128,587	3,113
Oregon.....	1	.....	1	250,000	250,000	487,000	263,100	223,900
Colorado.....	18	5	13	1,235,000	823,000	1,611,920	868,639	743,281
Utah.....	4	3	1	200,000	50,000	614,930	545,874	69,056
Idaho.....	1	.....	1	100,000	100,000	197,740	115,739	82,001
Montana.....	6	3	3	350,000	280,000	544,420	297,871	246,549
Wyoming.....	2	.....	2	125,000	60,000	116,360	62,360	54,000
New Mexico.....	2	.....	2	300,000	300,000	591,070	325,510	265,560
Dakota.....	3	.....	3	175,000	110,000	155,530	56,530	99,000
Washington.....	1	.....	1	150,000	50,000	45,000	.....	45,000
Totals, Pacific States and Territories..	39	12	27	2,885,000	2,023,000	4,495,670	2,664,210	1,831,460
Due for mutilated notes retired.....	.....	.....	.....	.....	.....	.....	.....	1,339,674
Grand totals..	2,390	343	2,046	469,230,426	347,574,900	886,904,855	567,252,734	320,991,795
Add gold banks.....	10	1	9	4,300,000	1,834,000	3,051,220	1,582,300	1,468,920
Totals for all banks.....	2,400	344	2,056	473,530,426	349,408,900	889,956,075	568,835,034	322,460,715

The act of February 25, 1863, and the subsequent act of June 3, 1864, authorized the issue of 300 millions of dollars of national-bank circulation, which was increased by the act of July 12, 1870, to 354 millions. The act of June 20, 1874, authorized any national bank desiring to withdraw its circulating notes, in whole or in part, to deposit lawful money with the Treasurer of the United States, in sums of not less than \$9,000, and to withdraw a proportionate amount of the bonds held as security for such notes; and the act of January 14, 1875, repealed all provisions restricting the aggregate amount of national-bank circulation, and required the Secretary of the Treasury to retire legal-tender notes to an amount equal to 80 per cent. of the national-bank notes thereafter issued, until the amount of such legal-tender notes outstanding should be \$300,000,000, and no more. That portion of the above act which required a reduction of United States legal-tender notes was repealed by the act of May 31, 1878, which provides:

That from and after the passage of this act it shall not be lawful for the Secretary of the Treasury, or other officer under him, to cancel or retire any more of the United States legal-tender notes; and when any of said notes may be redeemed, or be received into the Treasury under any law, from any source whatever, and shall belong to the United States, they shall not be retired, canceled, or destroyed, but they shall be reissued, and paid out again and kept in circulation: *Provided*, That nothing herein shall prohibit the cancellation and destruction of mutilated notes, and the issue of other notes of like denomination in their stead, as now provided by law.

Subsequent to the passage of the act of June 20, 1874, and of that of January 14, 1875, which authorized the retirement and reissue of national-bank notes at the pleasure of the banks, the circulation steadily decreased in volume until the year 1877, the total decrease being \$30,869,655, since which time there has been a small increase. This will be seen from the following table, which exhibits the total outstanding circulation, not including mutilated notes in transit, upon the 1st day of November for the last twelve years, and also upon the dates of the acts above named:

November 1, 1867	\$299,153,296	June 20, 1874	\$349,894,182
November 1, 1868	300,002,234	November 1, 1874	351,927,246
November 1, 1869	299,910,419	January 14, 1875	351,861,450
November 1, 1870	302,607,942	November 1, 1875	345,586,902
November 1, 1871	324,810,656	November 1, 1876	321,150,718
November 1, 1872	341,512,772	November 1, 1877	316,775,111
November 1, 1873	348,382,046	November 1, 1878	320,991,795

Since the passage of the act of June 20, 1874, \$79,910,488 of legal-tender notes have been deposited in the Treasury for the purpose of retiring circulation, and \$74,095,965 of bank notes have been redeemed, destroyed, and retired. From the date of passage of the act of January 14, 1875, to that of the act of May 31, 1878, which prohibited the further cancellation of legal-tender notes, \$44,148,730 of additional circulation was issued, and legal-tender notes equal to 80 per cent. thereof, or \$35,318,984, have been retired, leaving \$346,681,016 of legal-tender notes outstanding at the latter date. The amount of additional circulation issued for the year ending November 1, 1878, was \$16,291,685, of which \$1,598,800 was issued to twenty-eight banks organized during the year; while within the same period \$12,075,001 of circulation was retired without reissue, the actual increase for the year being \$4,216,684.

During the year ending November 1, 1878, lawful money to the amount of \$7,502,943 was deposited with the Treasurer to retire circulation, of

which amount \$3,366,469 was deposited by banks in liquidation. The amount previously deposited under the act of June 20, 1874, was \$61,028,049, and by banks in liquidation, \$11,379,496; to which is to be added a balance of \$3,813,675, remaining from deposits made by liquidating banks prior to the passage of that act. Deducting from the total of the sums named (\$83,724,163) the amount of circulating notes redeemed and destroyed, and for which no reissue has been made (\$74,095,965), there remained in the hands of the Treasurer on November 1, 1878, \$9,628,198 of lawful money for the redemption and retirement of circulation.

The following table exhibits by States the issue and retirement of circulation during the year ending November 1, 1878, and the total amount issued and retired since June 20, 1874:

States and Territories.	Circulation issued.	Circulation retired.		
		Under act of June 20, 1874.	Of liquidating banks.	Total.
Maine.....	\$208,800	\$56,460	\$2,865	\$59,325
New Hampshire.....	4,800	.....	1,590	1,590
Vermont.....	544,600	427,944	14,152	442,096
Massachusetts.....	3,072,710	478,262	56,937	535,199
Rhode Island.....	227,850	.....	11,120	11,120
Connecticut.....	555,600	.....	13,700	13,700
New York.....	4,963,575	2,509,780	473,092	2,982,872
New Jersey.....	290,730	117,181	5,586	122,767
Pennsylvania.....	1,851,340	801,339	190,862	992,201
Delaware.....	71,100	.....	.....	.....
Maryland.....	153,600	329,887	11,869	341,756
District of Columbia.....	138,000	74,515	17,209	91,724
Virginia.....	.....	60,565	76,546	137,111
West Virginia.....	1,000	5,865	56,559	62,424
North Carolina.....	405,900	179,860	.....	179,860
South Carolina.....	18,000	64,425	.....	64,425
Georgia.....	113,410	45,915	41,271	87,186
Alabama.....	90,000	78,400	75	78,475
Mississippi.....	.....	.....	915	915
Louisiana.....	810,500	292,356	39,090	331,446
Texas.....	.....	20,663	3,865	24,528
Arkansas.....	45,000	27,752	390	28,142
Kentucky.....	305,100	246,261	95,197	341,458
Tennessee.....	116,900	28,052	38,029	66,081
Missouri.....	94,580	184,373	201,672	386,045
Ohio.....	176,860	518,318	286,050	804,368
Indiana.....	591,210	533,572	186,694	720,266
Illinois.....	370,890	659,231	393,729	1,052,960
Michigan.....	334,090	141,110	69,048	210,158
Wisconsin.....	44,100	90,399	68,647	159,046
Iowa.....	298,360	103,794	100,251	204,045
Minnesota.....	119,880	116,537	64,597	181,134
Kansas.....	7,700	20,137	107,786	127,923
Nebraska.....	18,000	60,231	7,975	68,206
Nevada.....	.....	.....	810	810
Colorado.....	108,900	28,508	27,214	55,722
Utah.....	.....	.....	14,912	14,912
Montana.....	39,600	.....	4,120	4,120
Dakota.....	54,000	.....	.....	.....
Washington.....	45,000	.....	.....	.....
Surrendered to this office and retired.....	.....	.....	.....	1,088,885
Total for year ending November 1, 1878....	16,291,685	8,301,692	2,684,424	12,075,001
Add totals from June 20, 1874, to November 1, 1877....	39,120,885	52,700,916	10,408,933	63,109,849
Surrendered to this office between same dates....	.....	.....	.....	9,130,107
Total issued and retired from June 20, 1874, to November 1, 1878.....	55,412,570	61,002,608	13,093,357	84,314,957

The following table exhibits the monthly issue and retirement of national-bank notes, and the deposit and retirement of legal-tender notes (for the purpose of retiring national-bank notes), from the passage of the

act of January 14, 1875, to November 1 of this year; also, the amount of legal-tender notes retired from that date to May 31, 1878:

Months.	National-bank circulation.		Legal-tender notes.	
	Issued.	Retired.	Deposited.	Retired.
Jan., 1875 (last 17 days).....	\$537, 580	\$255, 600	\$1, 323, 214	.....
Feb., ".....	1, 062, 440	1, 139, 204	3, 283, 100	.....
Mar., ".....	1, 956, 580	583, 200	2, 875, 448	\$2, 773, 100
Apr., ".....	1, 390, 200	1, 614, 400	2, 261, 463	1, 175, 140
May, ".....	1, 237, 500	1, 532, 530	1, 637, 309	987, 760
June, ".....	1, 735, 525	1, 734, 900	3, 099, 626	1, 292, 420
July, ".....	1, 151, 140	2, 156, 500	1, 886, 910	1, 016, 472
Aug., ".....	626, 960	1, 847, 596	943, 246	509, 400
Sept., ".....	520, 650	1, 803, 020	2, 167, 406	304, 584
Oct., ".....	768, 100	1, 903, 355	3, 241, 885	704, 880
Nov., ".....	981, 010	967, 969	1, 284, 079	764, 472
Dec., ".....	811, 220	898, 039	2, 006, 950	644, 552
Jan., 1876.....	702, 370	1, 986, 723	2, 629, 900	554, 080
Feb., ".....	329, 385	1, 949, 873	3, 856, 237	329, 748
Mar., ".....	322, 380	1, 853, 549	5, 304, 027	188, 144
Apr., ".....	225, 815	1, 622, 117	3, 001, 600	27, 372
May, ".....	476, 560	2, 087, 421	2, 085, 692	404, 268
June, ".....	485, 670	4, 744, 747	2, 612, 645	351, 384
July, ".....	144, 880	2, 831, 816	1, 232, 831	153, 056
Aug., ".....	360, 100	4, 032, 953	1, 137, 630	284, 624
Sept., ".....	1, 045, 510	2, 330, 168	1, 776, 085	839, 864
Oct., ".....	1, 198, 780	2, 201, 606	1, 251, 609	959, 024
Nov., ".....	780, 895	1, 900, 862	432, 600	624, 716
Dec., ".....	1, 069, 895	1, 410, 285	870, 975	855, 916
Jan., 1877.....	1, 337, 840	1, 447, 868	703, 240	1, 070, 272
Feb., ".....	931, 660	2, 250, 377	818, 247	745, 328
Mar., ".....	1, 979, 100	1, 319, 728	737, 755	1, 583, 280
Apr., ".....	1, 452, 250	1, 435, 491	675, 265	1, 161, 800
May, ".....	1, 352, 280	1, 739, 105	682, 240	1, 081, 824
June, ".....	810, 310	2, 121, 440	1, 732, 690	648, 248
July, ".....	837, 640	1, 123, 854	1, 610, 079	670, 112
Aug., ".....	1, 397, 570	1, 444, 141	1, 263, 940	1, 118, 056
Sept., ".....	1, 326, 540	595, 599	787, 325	1, 061, 232
Oct., ".....	3, 030, 050	1, 476, 581	151, 400	2, 424, 040
Nov., ".....	3, 938, 255	1, 385, 767	261, 600	3, 150, 604
Dec., ".....	1, 745, 640	694, 833	488, 000	1, 396, 512
Jan., 1878.....	1, 041, 690	621, 285	669, 500	833, 352
Feb., ".....	615, 500	653, 449	511, 662	492, 400
Mar., ".....	961, 640	750, 617	1, 246, 780	769, 312
April, ".....	1, 459, 620	502, 655	633, 230	1, 167, 696
May, ".....	2, 007, 620	1, 140, 124	377, 490	.....
June, ".....	1, 400, 450	877, 271	818, 100	.....
July, ".....	844, 910	1, 435, 685	853, 200	.....
Aug., ".....	607, 910	914, 597	298, 000	.....
Sept., ".....	630, 640	947, 743	641, 500	.....
Oct., ".....	1, 037, 810	1, 062, 090	703, 881	.....
National-bank notes surrendered to this office and retired.....	.....	10, 218, 992	.....	.....
Total.....	50, 678, 070	81, 547, 725	68, 867, 591	35, 312, 984

The following summary exhibits concisely the operations of the acts of June 20, 1874, and of January 14, 1875, from the dates of their passage to November 1, 1878:

National-bank notes outstanding when act of June 20, 1874, was passed.	\$349, 894, 182
Amount of same issued from June 20, 1874, to January 14, 1875	\$4, 734, 500
Amount redeemed and retired between same dates.....	2, 767, 232
Increase from June 20, 1874, to January 14, 1875.....	1, 967, 268
Total amount notes outstanding January 14, 1875.....	351, 861, 450
Amount redeemed and retired from January 14, 1875, to date.	71, 328, 733
Amount surrendered between same dates.....	10, 218, 992
Total redeemed and surrendered.....	81, 547, 725
Amount issued between same dates.....	50, 678, 070
Decrease from January 14, 1875, to date.....	30, 869, 655
National-bank notes outstanding at date.....	320, 991, 795

Greenbacks on deposit in the Treasury June 20, 1874, to retire notes of insolvent and liquidating banks.....	\$3, 813, 675
Deposited from June 20, 1874, to date, to retire national-bank notes.....	79, 910, 488
Total deposits.....	83, 724, 163
Circulation redeemed by Treasurer between same dates without reissue.	74, 095, 965
Greenbacks on deposit at date.....	9, 628, 198
Greenbacks retired under act of January 14, 1875.....	35, 318, 984
Greenbacks outstanding at date.....	346, 681, 016

The circulation of the nine National Gold Banks located in the State of California, having a capital of \$4,300,000 and a circulation of \$1,468,920, is not included in the above table.

LOST OR UNREDEEMED BANK-NOTES.

The belief is very generally entertained that a considerable proportion of the circulating notes of each national bank will ultimately be lost or destroyed, and will therefore never be presented for redemption. It is also frequently stated that the loss of such notes inures to the benefit of the banks. Neither supposition is correct. Section 5222 of the Revised Statutes requires that all national banks which go into voluntary liquidation shall, within six months thereafter, deposit in the Treasury an amount of lawful money equal to the amount of their circulating notes outstanding. The law also requires that full provision shall be made for the redemption of the circulating notes of any insolvent bank, before a dividend is made to its creditors. Thus it will be seen that no association can close up its business without first providing for the payment of all of its circulating notes, and that the amount deposited for their redemption must remain in the Treasury until the last outstanding note shall have been presented. It is therefore plain that the government, and not the bank, receives all the benefit arising from lost or unredeemed circulating notes.

In a previous report returns as to unredeemed circulation were given for 286 State banks organized under the authority of the legislature of the State of New York. The maximum amount of circulation issued to them was \$50,754,514, and the amount of unredeemed circulation at the date of the report named was \$1,336,337, or 2.63 per cent. of the highest amount issued. The maximum amount of circulation issued to 30 State banks in the city of New York, which are still in operation either as national or State associations, was \$7,763,010, while the amount remaining unredeemed in October, 1875, was \$142,365, or only 1.83 per cent. of the highest amount issued. The amount of circulation issued to 240 State banks in Wisconsin was \$7,565,409, and the amount unredeemed is \$134,747, the percentage of unredeemed notes being 1.78 only. The maximum issue to 210 State banks in the six New England States was \$39,245,380, while the amount remaining unredeemed is but \$792,767, the proportion of the latter to the former being 2.02 per cent. The returns from 332 State banks in New York, New Jersey, Delaware and Maryland show their maximum circulation to have been \$65,664,176, while the amount unredeemed is \$1,707,428, and the percentage 2.60. The percentage of unredeemed notes of 25 State banks in Ohio, having a circulation of \$2,196,381, was 2.79. The greatest amount of circulation issued to 707 State banks, in 12 States, was \$114,671,346, the amount outstanding \$2,696,282, and the proportion unredeemed 2.4 per cent.

It is probable that, under the national system of redemption, the pro-

portion of national-bank notes redeemed will be much greater than that of the State-bank notes under the old systems. The highest amount of circulation issued to 15 national banks which failed previous to 1870 was \$1,554,400, and the amount outstanding on November 1, 1878, was \$13,440.50, the proportion of notes remaining unredeemed being only 0.86 per cent. of the amount issued. The total amount issued to 23 national banks which failed previous to the year 1873 was \$3,196,693; and the amount outstanding on November 1, 1878, was \$57,074, the proportion of notes remaining unredeemed being but 1.78 per cent. of the amount issued. This is shown in the following table:

Name and location of bank.	Receiver appointed.	Circulation issued.	Circulation outstanding.	Percentage unredeemed.
First National Bank, Attica, N. Y.....	Apr. 14, 1865	\$44,000 00	\$348 50	.79
Venango National Bank, Franklin, Pa.....	May 1, 1866	85,000 00	441 50	.52
Merehants' National Bank, Washington, D. C.	May 8, 1866	180,000 00	1,461 00	.81
First National Bank, Medina, N. Y.....	Mar. 13, 1867	40,000 00	139 00	.35
Tennessee National Bank, Memphis, Tenn....	Mar. 21, 1867	90,000 00	611 25	.68
First National Bank, Selma, Ala.....	Apr. 30, 1867	85,000 00	689 00	.81
First National Bank, New Orleans, La.....	May 20, 1867	180,000 00	2,130 00	1.18
National Unadilla Bank, Unadilla, N. Y.....	Aug. 20, 1867	100,000 00	506 00	.51
Farmers and Citizens' National Bank, Brook-				
lyn, N. Y.....	Sept. 6, 1867	253,900 00	2,164 00	.85
Croton National Bank, New York, N. Y.....	Oct. 1, 1867	180,000 00	891 00	.49
First National Bank, Bethel, Conn.....	Feb. 28, 1868	26,300 00	301 00	1.14
First National Bank, Keokuk, Iowa.....	Mar. 3, 1868	90,000 00	676 00	.75
National Bank, Vicksburg, Miss.....	Apr. 24, 1868	25,500 00	201 25	.80
First National Bank, Rockford, Ill.....	Mar. 15, 1869	45,000 00	632 00	1.41
First National Bank of Nevada, Austin, Nev.	Oct. 14, 1869	129,700 00	2,249 00	1.73
Totals and average percentage to 1870..		1,554,400 00	13,440 50	.86
Ocean National Bank, New York, N. Y.....	Dec. 13, 1871	800,000 00	20,418 00	2.55
Union Square National Bank, New York, N. Y	Dec. 15, 1871	50,000 00	984 00	1.97
Eighth National Bank, New York, N. Y.....	Dec. 15, 1871	243,393 00	5,856 50	2.41
Fourth National Bank, Philadelphia, Pa.....	Dec. 20, 1871	179,000 00	4,910 00	2.74
Waverly National Bank, Waverly, N. Y.....	Apr. 23, 1872	71,000 00	2,272 00	3.20
First National Bank, Fort Smith, Ark.....	May 2, 1872	45,000 00	1,175 00	2.61
Seandinavian National Bank, Chicago, Ill....	Dec. 12, 1872	135,000 00	3,874 00	2.87
Wallkill National Bank, Middletown, N. Y...	Dec. 31, 1872	118,900 00	4,144 50	3.48
Totals and average percentage to 1873..		3,196,693 00	57,074 50	1.78

Of the circulation of 51 national banks in voluntary liquidation previous to 1870, amounting to \$5,832,940, there yet remains outstanding \$151,484, or 2.59 per cent. only, of the amount issued; and of the circulation of 75 banks in liquidation prior to 1872, amounting to \$8,648,980, there remains outstanding \$227,448, which is equal to a percentage of 2.63; and of the circulation of 89 banks in liquidation prior to 1873, in amount \$10,764,080, there remains outstanding \$303.274, or 2.82 per cent. of the amount issued.

The amount of demand Treasury notes issued from July 17, 1861, to December 31, 1862, was \$60,000,000, in denominations of five, ten, and twenty dollars; and the amount remaining outstanding on the 1st of November last was \$62,065, the proportion unredeemed being a little more than one-tenth of one per cent., \$3,627 having been redeemed within the last two years.

SPECIE IN BANK AND ESTIMATED SPECIE IN THE COUNTRY.

The table below exhibits the amount of specie held by the national banks at the dates of their reports for the last ten years; the coin, coin-

certificates, and checks payable in coin, held by the New York City banks being stated separately:

Dates.	Held by national banks in New York City.				Held by other national banks.	Aggregate.
	Coin.	U. S. coin-certificates.	Checks payable in coin.	Total.		
Oct. 5, 1868..	\$1,698,623 24	\$6,390,140	\$1,536,353 66	\$9,625,116 90	\$3,378,596 49	\$13,003,713 39
Jan. 4, 1869..	1,902,769 48	18,038,520	2,348,140 49	22,289,429 97	7,337,320 29	29,626,750 26
Apr. 17, 1869..	1,652,575 21	3,720,040	1,469,826 64	6,842,441 85	3,102,090 30	9,944,532 15
June 12, 1869..	2,542,533 96	11,953,680	975,015 82	15,471,229 78	2,983,860 70	18,455,090 48
Oct. 9, 1869..	1,792,740 73	16,897,900	1,013,948 72	19,704,589 45	3,297,816 37	23,002,405 83
Jan. 22, 1870..	6,196,036 29	28,501,460	2,190,644 74	36,888,141 03	11,457,242 69	48,345,383 72
Mar. 24, 1870..	2,647,908 39	21,872,480	1,069,094 30	25,589,482 69	11,507,060 75	37,096,543 44
June 9, 1870..	2,942,400 24	18,660,920	1,163,905 88	22,767,226 12	8,332,211 66	31,099,437 78
Oct. 8, 1870..	1,607,742 91	7,533,900	3,994,006 42	13,135,649 33	5,324,362 14	18,460,011 47
Dec. 28, 1870..	2,268,581 96	14,063,540	3,748,126 87	20,080,248 83	6,227,002 76	26,307,251 59
Mar. 18, 1871..	2,982,155 61	13,099,720	3,829,881 64	19,911,757 25	5,857,409 39	25,769,166 64
Apr. 29, 1871..	2,047,930 71	9,845,080	4,382,107 24	16,275,117 95	6,456,909 07	22,732,027 02
June 10, 1871..	2,249,408 06	9,161,160	3,680,854 92	15,091,422 98	4,833,532 18	19,924,955 16
Oct. 2, 1871..	1,121,869 40	7,590,260	1,163,628 44	9,875,757 84	3,377,240 33	13,252,998 17
Dec. 16, 1871..	1,454,930 73	17,354,740	4,255,631 39	23,065,302 12	6,529,997 44	29,595,299 56
Feb. 27, 1872..	1,490,417 70	12,341,060	3,117,100 90	16,948,578 60	8,559,246 72	25,507,825 32
Apr. 19, 1872..	1,828,659 74	10,102,400	4,715,364 25	16,646,423 99	7,787,475 47	24,433,899 46
June 10, 1872..	3,782,909 64	11,411,160	4,219,419 52	19,414,489 16	4,842,154 98	24,256,644 14
Oct. 3, 1872..	920,767 37	5,454,580	.....	6,375,347 37	3,854,409 42	10,229,756 79
Dec. 27, 1872..	1,306,091 05	12,471,940	.....	13,778,031 05	5,269,305 40	19,047,336 45
Feb. 28, 1873..	1,958,769 86	11,539,780	.....	13,498,549 86	4,279,123 67	17,777,673 53
April 25, 1873..	1,344,950 93	11,743,320	.....	13,088,250 93	3,780,557 81	16,868,808 74
June 13, 1873..	1,442,097 71	22,139,080	.....	23,581,177 71	4,368,909 01	27,950,086 72
Sept. 12, 1873..	1,063,210 55	13,522,600	.....	14,585,810 55	5,282,658 90	19,868,469 45
Dec. 26, 1873..	1,376,170 50	18,325,760	.....	19,701,930 50	7,205,107 08	26,907,037 58
Feb. 27, 1874..	1,167,820 09	23,518,640	.....	24,686,460 09	8,679,403 49	33,365,863 58
May 1, 1874..	1,530,282 10	23,454,660	.....	24,984,942 10	7,585,027 16	32,569,969 26
June 26, 1874..	1,842,525 00	13,671,660	.....	15,514,185 00	6,812,022 27	22,326,207 27
Oct. 2, 1874..	1,291,786 56	13,114,480	.....	14,406,266 56	6,834,678 67	21,240,945 23
Dec. 31, 1874..	1,443,215 42	14,410,940	.....	15,854,155 42	6,582,605 62	22,436,761 04
Mar. 1, 1875..	1,084,555 54	10,622,160	.....	11,706,715 54	4,960,390 63	16,667,106 17
May 1, 1875..	930,105 76	5,753,220	.....	6,683,325 76	3,937,035 88	10,620,361 64
June 30, 1875..	1,023,015 86	12,642,180	.....	13,665,195 86	5,294,386 44	18,959,582 30
Oct. 1, 1875..	753,904 90	4,201,720	.....	4,955,624 90	3,094,704 83	8,050,329 73
Dec. 17, 1875..	869,436 72	12,532,810	.....	13,402,246 72	3,668,659 18	17,070,905 90
Mar. 10, 1876..	3,261,131 36	19,086,920	.....	22,348,051 36	6,729,294 49	29,077,345 85
May 12, 1876..	832,313 70	15,183,760	.....	16,016,073 70	5,698,520 66	21,714,594 36
June 30, 1876..	1,214,522 92	16,872,780	.....	18,087,302 92	7,131,167 00	25,218,469 92
Oct. 2, 1876..	1,129,814 34	13,446,760	.....	14,576,574 34	6,785,079 69	21,361,654 03
Dec. 22, 1876..	1,434,701 83	21,602,900	.....	23,037,601 83	9,962,046 06	32,999,647 89
Jan. 20, 1877..	1,669,284 94	33,629,660	.....	35,298,944 94	14,410,322 61	49,709,267 55
Apr. 14, 1877..	1,930,725 59	13,899,180	.....	15,829,905 59	11,240,132 19	27,070,037 78
June 22, 1877..	1,423,258 17	10,324,320	.....	11,747,578 17	9,588,417 89	21,335,996 06
Oct. 1, 1877..	1,538,486 47	11,409,920	.....	12,948,406 47	9,710,413 84	22,658,820 31
Dec. 28, 1877..	1,955,746 20	19,119,080	.....	21,074,826 20	11,832,924 50	32,907,750 70
Mar. 15, 1878..	2,428,797 44	35,003,220	.....	37,432,017 44	17,290,040 58	54,722,058 02
May 1, 1878..	2,688,092 06	25,397,640	.....	28,085,732 06	17,938,024 00	46,023,756 06
June 29, 1878..	1,905,705 22	11,954,500	.....	13,860,205 22	15,391,264 55	29,251,469 77
Oct. 1, 1878..	1,779,792 43	11,514,810	.....	13,294,602 43	17,394,004 16	30,688,606 59

The amount of silver coin held by the national banks on June 30 and October 2, 1876, was \$1,627,566 and \$2,557,599 respectively. The amount held on October 1, 1877, was \$3,700,703, and on October 1, 1878, \$5,387,738. The aggregate amount of specie held by the State banks in New England, in New York, New Jersey, Pennsylvania, Maryland, Louisiana, Ohio, and Wisconsin, as shown by their official reports for 1878, was \$3,023,429, of which the banks in New York City held \$2,629,839. In the returns from California the amount of coin is not given separately.

In my last annual report a statement was given from estimates made by the Director of the Mint, showing that the probable amount of coin and bullion in the country on June 30, 1877, was \$242,855,858, of which \$50,135,628 was silver. Assuming this estimate to have been substantially correct, the movement of coin and bullion for the year ending June

30, 1878, and the amount in the country at the latter date, is shown, from further estimates of the Director of the Mint, to have been as follows :

Estimated amount of coin and bullion in the country June 30, 1877.....	\$242, 855, 858
Estimated product of the mines for the year.....	99, 600, 000
Importations of gold for the year.....	13, 330, 715
Importations of silver for the year.....	16, 490, 599
Total.....	371, 677, 172.
Deduct exportations of gold.....	\$9, 197, 555
Deduct exportations of silver.....	24, 535, 670
Deduct amount used in the arts and manufactures.....	5, 500, 000
	39, 233, 225

Total estimated amount of coin and bullion in the country on
June 30, 1878..... 332, 443, 947

Of this amount, \$244,353,390 was in gold coin and bullion, and \$88,090,557 in silver coin and bullion. The increase for the fiscal year was \$89,588,089, of which \$51,633,160 was in gold coin and bullion and \$37,954,929 in silver coin and bullion. The Director estimates the amount of gold coin and bullion in the country on September 30, 1878, at about \$259,353,390, and of silver coin and bullion at about \$99,090,557, making a total of \$358,443,947.

LOANS AND RATES OF INTEREST OF NEW YORK CITY NATIONAL BANKS.

The following table contains a classification of the loans of the national banks in New York City for the last five years:

Loans and discounts.	October 2, 1874.	October 1, 1875.	October 2, 1876.	October 1, 1877.	October 1, 1878.
	48 banks.	48 banks.	47 banks.	47 banks.	47 banks.
On endorsed paper.....	\$116, 719, 349	\$120, 189, 537	\$95, 510, 311	\$92, 618, 776	\$83, 924, 333
On single-name paper.....	19, 959, 609	18, 555, 100	16, 634, 532	15, 800, 540	17, 297, 475
On U. S. bonds on demand.....	4, 721, 638	4, 934, 674	6, 277, 492	4, 763, 448	7, 003, 085
On other stocks, &c., on demand.....	51, 453, 682	50, 179, 384	58, 749, 574	48, 376, 633	51, 152, 021
On real-estate security.....	278, 081	868, 160	536, 802	497, 524	786, 514
Payable in gold.....	5, 735, 138	3, 454, 276	4, 681, 570	4, 319, 014	6, 752, 181
All other loans.....	2, 909, 557	3, 908, 602	1, 852, 944	2, 786, 456	2, 670, 371
Totals.....	201, 777, 054	202, 089, 733	184, 243, 225	169, 162, 391	169, 585, 980

The average rate of interest in New York City for each of the fiscal years from 1874 to 1878, as ascertained from data derived from the Journal of Commerce and the Financial Chronicle of that city, was as follows :

- 1874, call loans, 3.8 per cent. ; commercial paper, 6.4 per cent.
- 1875, call loans, 3.0 per cent. ; commercial paper, 5.6 per cent.
- 1876, call loans, 3.3 per cent. ; commercial paper, 5.3 per cent.
- 1877, call loans, 3.0 per cent. ; commercial paper, 5.2 per cent.
- 1878, call loans, 4.4 per cent. ; commercial paper, 5.1 per cent.

The average rate of interest of the Bank of England for the same years was as follows :

- During the calendar year ending December 31, 1874, 3.69 per cent.
- During the calendar year ending December 31, 1875, 3.23 per cent.
- During the calendar year ending December 31, 1876, 2.61 per cent.
- During the calendar year ending December 31, 1877, 2.91 per cent.
- During the fiscal year ending June 30, 1878, 3.07 per cent.

The rate of interest in the city of New York, on November 22 of the present year, as quoted in the Daily Bulletin, was, on call loans, from 3 to 4 per cent., and on commercial paper of the best grade, from 4½ to 5 per cent. The rate of interest of the Bank of England, which, on No-

vember 29 of last year, was 4 per cent., had fallen on January 30 following to 2 per cent., from which date to October 14 there were seven changes, and, with a single exception on May 29, a gradual increase. The rate was fixed on the date last named at 6 per cent. and reduced on November 21 to 5 per cent.

SECURITY OF CIRCULATING NOTES.

The following table exhibits the kinds and amounts of United States bonds held by the Treasurer on the 1st day of November, 1878, to secure the redemption of the circulating notes of national banks :

Class of bonds.	Authorizing act.	Rate of interest.	Amount.
Loan of February, 1861 (81s)	February 8, 1861	6 per cent.	\$2, 276, 000
Loan of July and August, 1861 (81s)	July 17 and August 5, 1861	do	34, 416, 550
Loan of 1863 (81s)	March 3, 1863	do	19, 790, 900
Consols of 1865	March 3, 1865	do	825, 700
Consols of 1867	do	do	8, 172, 100
Consols of 1868	do	do	1, 764, 500
Ten-forties of 1864	March 3, 1864	5 per cent.	70, 688, 850
Funded loan of 1881	July 14, 1870, and January 20, 1871.	do	125, 926, 750
Funded loan of 1891	do	4½ per cent.	49, 397, 250
Funded loan of 1907	do	4 per cent.	30, 566, 300
Pacific Railway bonds	July 1, 1862, and July 2, 1864	6 per cent.	5, 584, 000
Total .....	.....	.....	349, 408, 900

All of these bonds, with the exception of \$53,038.50 of 6 per cents, are, by the terms of the acts under which they were issued, payable in coin. Of the latter amount, \$36,692,550 consist of sixes of 1881, which were issued prior to the passage of the legal-tender act; \$10,762,300 of fifties, which were issued under the act of March 3, 1865, which law does not specify the kind of money in which the bonds issued under it shall be paid; and \$5,584,000 of Pacific Railroad currency sixes.

On October 1, 1870, the banks held \$246,891,300 of 6 per cent. bonds, and \$95,942,550 of 5 per cents. Since that time there has been a decrease of \$174,061,550 in 6 per cent. bonds, and an increase of \$100,673,050 in the 5 per cents.

During the three years ending November 1, 1878, there has been a decrease of \$55,673,462 in 6 per cent., and of \$42,430,600 in 5 per cent. bonds, while in the same period \$49,397,250 of 4½ per cents., and within the last eighteen months \$30,566,300 of 4 per cents. have been deposited.

TAXATION, EARNINGS, AND DIVIDENDS.

The Comptroller has in former reports discussed at considerable length the question of bank taxation, and he respectfully repeats at the present time his previous recommendations for the repeal of the law imposing a tax upon capital and deposits.

Special attention is called in this connection to the elaborate tables herewith presented, showing, for a series of years, the amount of national and State taxation paid by the national banks, the amount of losses charged off by them, the number of banks which have been compelled to pass dividends, and the low ratio of their earnings and dividends to capital and surplus. It will be seen that the average rate of taxation upon capital for the past four years has been nearly three and one-half per cent., while in the city of New York it has exceeded five per cent.; that during the last three years the banks have suffered losses amounting to more than sixty-four million dollars; and that the ratio of their earnings to capital and surplus was, in 1877, but 5.62, and in 1878, but 5.14 per cent. No more conclusive proof of the justice of the request

for the repeal of the law imposing these taxes can be given than is contained in these various tables.

The national banks pay annually to the government, in semi-annual installments, a duty or tax of one per cent. upon the average amount of their circulating notes outstanding, one-half of one per cent. upon the average amount of their deposits, and a like rate upon the average amount of their capital stock not invested in United States bonds. The following table exhibits the amount of such duties paid by the national banks yearly, from the commencement of the system to July 1 of the present year:

Years.	On circulation.	On deposits.	On capital.	Totals.
1864	\$53,096 97	\$95,811 25	\$18,402 23	\$167,310 45
1865	733,247 59	1,087,530 86	133,251 15	1,954,029 60
1866	2,106,785 30	2,633,102 77	406,947 74	5,146,835 81
1867	2,868,636 78	2,650,180 07	321,881 36	5,840,698 21
1868	2,946,343 07	2,564,143 44	306,781 67	5,817,268 18
1869	2,957,416 73	2,614,553 58	312,918 68	5,884,888 99
1870	2,949,744 13	2,614,767 61	375,962 26	5,940,474 00
1871	2,987,021 09	2,802,840 85	385,292 13	6,175,154 67
1872	3,193,570 03	3,120,984 37	389,356 27	6,703,910 67
1873	3,353,186 13	3,196,569 29	454,891 51	7,004,646 93
1874	3,404,483 11	3,209,967 72	469,048 02	7,083,498 85
1875	3,283,405 89	3,514,310 39	507,417 76	7,305,134 04
1876	3,091,795 76	3,505,129 64	632,396 16	7,229,321 56
1877	2,899,037 09	3,445,252 74	654,636 96	6,998,926 79
1878	2,948,047 08	3,273,111 74	560,296 83	6,781,455 65
Aggregates.....	39,775,817 35	40,328,256 32	5,929,480 73	86,033,554 40

The amount paid to the Commissioner of Internal Revenue during the same years, by banks and bankers other than national, is shown in the following table:

Years.	On circulation.	On deposits.	On capital.	Totals.
1864	\$2,056,996 30	\$780,723 52	-----	\$2,837,719 82
1865	1,993,661 84	2,043,841 08	\$903,367 98	4,940,870 90
1866	990,278 11	2,099,635 83	374,074 11	3,463,988 05
1867	214,298 75	1,355,395 98	476,867 73	2,046,562 46
1868	28,609 88	1,438,512 77	399,562 90	1,866,745 55
1869	16,565 05	1,734,417 63	445,071 49	2,196,054 17
1870	15,419 94	2,177,576 46	827,087 21	3,020,083 61
1871	22,781 92	2,702,196 84	919,262 77	3,644,241 53
1872	8,919 82	3,643,251 71	976,057 61	4,628,229 14
1873	24,778 62	3,009,302 79	736,950 05	3,771,031 46
1874	16,738 26	2,453,544 26	916,878 15	3,387,160 67
1875	22,746 27	2,972,260 27	1,102,241 58	4,097,248 12
1876	17,947 67	2,999,530 75	989,219 61	4,006,698 03
1877	5,430 16	2,896,637 93	927,661 24	3,829,729 33
1878	1,118 72	2,593,687 29	897,225 84	3,492,031 85
Aggregates	5,436,351 31	34,900,515 11	10,891,528 27	51,228,394 69

It will be seen by the above tables that, since 1864, the total taxes collected by the government from the banks and bankers of the country amount to \$137,261,949.09, of which the national banks have paid nearly two-thirds. One object in imposing these taxes upon the national banks was to make the system self-sustaining, so far as cost to the government is concerned; but while the whole expenses of this Office, from its establishment to July 1 of this year, have been but \$4,525,022.66, the first of the foregoing tables shows that the national banks have returned to the government in taxes during this period the large sum of \$86,033,554, of which \$39,775,817 was paid on circulation alone. It is to be further observed that the whole of this amount has been collected without any expense to the government.

From returns made to this office by the national banks in several dif-

ferent years, in response to requests therefor by the Comptroller, the amount of State taxes paid by them for the years 1866, 1867, 1869, 1874, 1875, 1876, and 1877 has been definitely ascertained. No returns were obtained for the missing years in this series; but from the data furnished for the known years, estimates have been made in this Office for the intervening ones, and the whole amount of taxes, State and national, paid by the national banks from the year 1866 to the present time is shown, yearly, in the table below:

Years.	Capital stock.	Amount of taxes.			Ratio of tax to capital.		
		United States.	State.	Total.	United States.	State.	Total.
					<i>Per ct.</i>	<i>Per ct.</i>	<i>Per ct.</i>
1866.....	\$410, 593, 435	\$7, 949, 451	\$8, 069, 938	\$16, 019, 389	1. 9	2. 0	3. 9
1867.....	422, 804, 666	9, 525, 607	8, 813, 127	18, 338, 734	2. 2	2. 1	4. 3
1868.....	420, 143, 491	9, 465, 652	8, 757, 656	18, 223, 308	2. 2	2. 1	4. 3
1869.....	419, 619, 860	10, 081, 244	7, 297, 096	17, 378, 340	2. 4	1. 7	4. 1
1870.....	429, 314, 041	10, 190, 682	7, 465, 675	17, 656, 357	2. 4	1. 7	4. 1
1871.....	451, 994, 133	10, 649, 895	7, 860, 078	18, 509, 973	2. 4	1. 7	4. 1
1872.....	472, 956, 958	6, 703, 910	8, 343, 772	15, 047, 682	1. 4	1. 8	3. 2
1873.....	488, 778, 418	7, 004, 646	8, 499, 748	15, 504, 394	1. 4	1. 8	3. 2
1874.....	493, 751, 679	7, 256, 083	9, 620, 326	16, 876, 409	1. 5	2. 0	3. 5
1875.....	503, 687, 911	7, 317, 531	10, 058, 122	17, 375, 653	1. 5	2. 0	3. 5
1876.....	501, 788, 079	7, 076, 087	9, 701, 732	16, 777, 819	1. 4	2. 0	3. 4
1877.....	485, 250, 694	6, 902, 573	8, 829, 304	15, 731, 877	1. 4	1. 9	3. 3

In the returns of United States taxes prior to the year 1872, in the above table, are included the special or license tax of two dollars on each one thousand dollars of capital, and an income tax on net earnings.

The following table shows, by geographical divisions, the amount and the ratio to capital of the total taxation of the national banks, for the years 1874 to 1877 inclusive:

1874.

Geographical divisions.	Capital.*	Amount of taxes.			Ratios to capital.		
		U. S.	State.	Total.	U. S.	State.	Total.
					<i>Per ct.</i>	<i>Per ct.</i>	<i>Per ct.</i>
New England States	\$160, 517, 266	\$1, 896, 533	\$2, 980, 484	\$4, 877, 017	1. 2	1. 8	3. 0
Middle States.....	190, 162, 129	3, 325, 425	3, 911, 371	7, 236, 796	1. 7	2. 1	3. 8
Southern States.....	33, 558, 483	436, 540	517, 792	954, 332	1. 3	1. 5	2. 8
Western States and Terr's.	109, 513, 801	1, 597, 585	2, 210, 679	3, 808, 264	1. 5	2. 0	3. 5
United States.....	493, 751, 679	7, 256, 083	9, 620, 326	16, 876, 409	1. 5	2. 0	3. 5

1875.

New England States	\$164, 316, 333	\$1, 937, 016	\$3, 016, 537	\$4, 953, 553	1. 2	1. 8	3. 0
Middle States.....	193, 585, 507	3, 300, 498	4, 062, 459	7, 362, 957	1. 7	2. 1	3. 8
Southern States.....	34, 485, 483	445, 048	476, 236	921, 284	1. 3	1. 4	2. 7
Western States and Terr's.	111, 300, 588	1, 634, 969	2, 502, 890	4, 137, 859	1. 5	2. 4	3. 9
United States.....	503, 687, 911	7, 317, 531	10, 058, 122	17, 375, 653	1. 5	2. 0	3. 5

1876.

New England States	\$168, 068, 379	\$1, 947, 970	\$2, 914, 808	\$4, 862, 778	1. 2	1. 7	2. 8
Middle States.....	192, 163, 773	3, 190, 247	4, 025, 316	7, 215, 563	1. 7	2. 2	3. 9
Southern States.....	33, 439, 193	423, 781	431, 164	854, 945	1. 3	1. 3	2. 6
Western States and Terr's.	108, 116, 734	1, 514, 089	2, 330, 444	3, 844, 533	1. 4	2. 3	3. 7
United States.....	501, 788, 079	7, 076, 087	9, 701, 732	16, 777, 819	1. 4	2. 0	3. 4

1877.

Geographical divisions.	Capital.*	Amount of taxes.			Ratios to capital.		
		U. S.	State.	Total.	U. S.	State.	Total.
					<i>Per ct.</i>	<i>Per ct.</i>	<i>Per ct.</i>
New England States	\$167,788,475	\$1,907,776	\$2,864,119	\$4,771,895	1.1	1.7	2.8
Middle States.....	182,885,562	3,129,990	3,544,862	6,674,852	1.7	1.9	3.6
Southern States.....	32,212,288	411,486	429,149	840,635	1.3	1.4	2.7
Western States and Terr's.	102,364,369	1,453,321	1,991,174	3,444,495	1.4	2.1	3.5
United States.....	485,250,694	6,902,573	8,829,304	15,731,877	1.4	1.9	3.3

The States in which the ratios of taxation to capital were most excessive during the years 1875, 1876 and 1877, are shown in the table below:

States.	1875.			1876.			1877.		
	U. S.	State.	Total.	U. S.	State.	Total.	U. S.	State.	Total.
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
New York	1.8	2.9	4.7	1.8	3.1	4.9	1.9	2.7	4.6
New Jersey.....	1.5	2.1	3.6	1.4	2.1	3.5	1.4	1.9	3.3
Ohio	1.4	2.4	3.8	1.3	2.7	4.0	1.0	2.4	3.4
Indiana	1.2	2.6	3.8	1.2	2.5	3.7	1.2	2.3	3.5
Illinois.....	1.8	2.4	4.2	1.8	2.4	4.2	1.6	2.2	3.8
Wisconsin	1.7	2.1	3.8	1.7	2.1	3.8	1.7	2.1	3.8
Kansas	1.4	3.2	4.6	1.5	3.0	4.5	1.7	2.6	4.3
Nebraska	2.2	2.3	4.5	2.2	2.5	4.7	2.3	2.3	4.6
South Carolina.....	1.1	3.4	4.5	1.0	2.7	3.7	1.0	2.6	3.6
Tennessee	1.4	2.3	3.7	1.4	2.1	3.5	1.6	2.2	3.8

The evil effect of these high rates of taxation may be seen in the reduction of capital and surplus by the banks in the city of New York alone, during the last five years, which has been upon capital \$16,435,000, and upon surplus \$6,002,981; making a total of \$22,437,981. The State banks of the same city are reported to have also reduced their capital \$4,794,000, and surplus \$1,340,300; making a total reduction for all of the New York city banks, during that period, of \$28,572,281.

The inequality in the rate of taxation imposed by State authority upon banking capital in different localities is well illustrated by the following table, which gives the rate of such taxation in the principal cities of the country for the years 1875, 1876, and 1877, the ratio of United States taxation upon deposits, capital, and circulation combined, being also given for purposes of comparison :

Cities.	Rates of taxation.								
	1875.			1876.			1877.		
	United States.	State.	Total.	United States.	State.	Total.	United States.	State.	Total.
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
Boston.....	1.4	1.9	3.3	1.4	1.6	3.0	1.3	1.6	2.9
New York	2.0	3.1	5.1	1.9	3.5	5.4	2.1	2.9	5.0
Albany	3.0	3.6	6.6	3.2	3.4	6.6	3.0	3.2	6.2
Philadelphia.....	2.0	0.8	2.8	2.1	0.7	2.8	2.1	0.7	2.8
Pittsburgh	1.4	0.5	1.9	1.4	0.5	1.9	1.4	0.5	1.9
Baltimore.....	1.3	2.0	3.3	1.2	2.0	3.2	1.2	1.9	3.1
Washington	1.4	0.3	1.7	1.2	1.1	2.3	1.3	0.7	2.0
New Orleans.....	1.6	0.3	1.9	1.6	0.2	1.8	1.5	0.9	2.4
Louisville	1.3	0.5	1.8	1.4	0.5	1.9	1.4	0.5	1.9
Cincinnati	2.0	2.6	4.6	1.7	2.9	4.6	1.7	2.9	4.6
Cleveland.....	1.1	2.3	3.4	1.1	2.5	3.6	1.1	2.2	3.3
Chicago.....	2.3	2.5	4.8	2.2	3.0	5.2	2.2	2.9	5.8
Detroit	1.8	1.3	3.1	1.6	1.5	3.1	1.6	1.7	3.3
Milwaukee	2.3	3.0	5.3	2.2	2.9	5.1	2.4	2.6	5.0
Saint Louis	1.2	2.8	4.0	1.3	2.6	3.9	1.4	2.5	3.9
Saint Paul	1.3	2.2	3.5	1.2	1.8	3.0	1.3	1.7	3.0

* The capital of the banks which reported State taxes in 1874 was \$476,836,031, in 1875 \$493,738,408; in 1876 \$488,272 782, and in 1877 \$474,667,771.

The following table gives in detail, by States and principal cities, the amount of national and State taxation paid by the national banks for the year 1877, and their ratios to capital:

States and Territories.	Capital.*	Amount of taxes.			Ratios to capital.		
		United States.	State.	Total.	U. S.	State.	Total.
					<i>Per ct.</i>	<i>Per ct.</i>	<i>Per ct.</i>
Maine	\$10,689,837	\$113,855	\$240,442	\$354,297	1.1	2.2	3.3
New Hampshire	5,683,750	63,252	100,700	163,952	1.1	1.8	2.9
Vermont	8,568,700	88,659	168,551	257,210	1.0	2.0	3.0
Massachusetts	44,413,464	493,489	828,064	1,321,553	1.1	1.9	3.0
Boston	52,329,080	684,562	830,847	1,515,409	1.3	1.6	2.9
Rhode Island	20,271,650	193,088	273,227	466,315	1.0	1.4	2.4
Connecticut	25,831,994	270,871	422,288	693,159	1.0	1.6	2.6
New England States	167,788,475	1,907,776	2,864,119	4,771,895	1.1	1.7	2.8
New York	34,118,002	498,204	754,951	1,253,155	1.5	2.3	3.8
New York City	60,057,247	1,250,636	1,822,196	3,072,832	2.1	2.9	5.0
Albany	2,000,000	59,870	64,281	124,151	3.0	3.2	6.2
New Jersey	14,278,350	202,678	276,680	479,358	1.4	1.9	3.3
Pennsylvania	28,417,582	409,062	200,841	609,903	1.4	0.7	2.1
Philadelphia	16,985,667	357,311	120,471	477,782	2.1	0.7	2.8
Pittsburgh	10,347,500	139,751	54,335	194,086	1.4	0.5	1.9
Delaware	1,663,985	23,398	6,842	30,240	1.4	0.4	1.8
Maryland	2,302,459	31,818	30,395	62,213	1.4	1.3	2.7
Baltimore	11,233,651	137,075	205,830	342,905	1.2	1.9	3.1
District of Columbia	252,000	4,317	312	4,629	1.8	0.8	2.6
Washington	1,229,119	15,870	7,728	23,598	1.3	0.7	2.0
Middle States	182,885,562	3,129,990	3,544,862	6,674,852	1.7	1.9	3.6
Virginia	3,285,229	49,796	64,684	114,480	1.5	2.0	3.5
West Virginia	1,746,000	21,461	27,737	49,198	1.2	1.6	2.8
North Carolina	2,586,096	30,792	33,945	64,737	1.2	1.4	2.6
South Carolina	2,927,643	28,918	74,027	102,945	1.0	2.6	3.6
Georgia	2,146,305	25,547	42,632	68,179	1.2	2.1	3.3
Florida	50,000	818	1,023	1,841	1.6	2.0	3.6
Alabama	1,668,000	18,653	19,372	38,025	1.1	1.2	2.3
New Orleans	3,300,000	50,099	26,387	76,486	1.5	0.9	2.4
Texas	1,081,782	14,597	20,655	35,252	1.4	2.2	3.6
Arkansas	205,000	2,760	3,601	6,361	1.3	1.8	3.1
Kentucky	7,008,500	77,141	30,636	107,777	1.1	0.4	1.5
Louisville	3,095,500	42,265	15,936	58,201	1.4	0.5	1.9
Tennessee	3,112,233	48,639	68,514	117,153	1.6	2.2	3.8
Southern States	32,212,288	411,486	429,149	840,635	1.3	1.4	2.7
Ohio	19,944,625	269,544	428,902	698,446	1.4	2.3	3.7
Cincinnati	4,400,000	73,817	128,159	201,976	1.7	2.9	4.6
Cleveland	4,416,667	48,139	97,591	145,730	1.1	2.2	3.3
Indiana	16,559,568	202,594	347,744	550,338	1.2	2.3	3.5
Illinois	11,489,927	163,585	223,996	387,581	1.4	2.0	3.4
Chicago	6,472,418	145,367	131,744	277,111	2.2	2.9	5.8
Michigan	7,871,463	94,201	120,716	214,917	1.2	1.7	2.9
Detroit	2,000,000	31,105	34,885	65,990	1.6	1.7	3.3
Wisconsin	2,814,808	43,360	50,969	94,329	1.5	1.9	3.4
Milwaukee	650,000	15,395	16,610	32,005	2.4	2.6	5.0
Iowa	6,090,538	85,085	121,291	206,376	1.4	2.1	3.5
Minnesota	4,519,779	61,429	93,923	155,352	1.4	2.2	3.6
Missouri	2,391,167	34,718	41,243	75,961	1.5	2.6	4.1
Saint Louis	4,015,639	56,812	65,722	122,534	1.4	2.5	3.9
Kansas	1,108,333	18,993	18,855	37,848	1.7	2.6	4.3
Nebraska	938,398	21,485	19,922	41,407	2.3	2.3	4.6
Colorado	976,872	20,544	23,951	44,495	2.1	3.0	5.1
Oregon	250,000	7,224	2,650	9,874	2.9	1.1	4.0
California†	1,579,167	18,416	3,940	22,356	1.2	0.2	1.4
San Francisco†	2,750,000	23,292	535	23,827	0.8	0.0	0.8
New Mexico	300,000	4,192	3,168	7,360	1.4	1.1	2.5
Utah	200,000	2,779	2,750	5,529	1.4	1.4	2.8
Idaho	100,000	1,367	3,184	4,551	1.4	3.2	4.6
Montana	350,000	6,795	6,432	13,227	1.9	3.2	5.1
Wyoming	125,000	1,973	1,599	3,572	1.6	2.1	3.7
Dakota	50,000	1,110	693	1,803	2.2	1.4	3.6
Western States and Territories	102,364,369	1,453,321	1,991,174	3,444,495	1.4	2.1	3.5
Totals	485,250,694	6,902,573	8,829,304	15,731,877	1.4	1.9	3.3

* The capital of the banks that paid State, county, and municipal taxes on stock and real estate is \$474,667,771.

† California banks pay no State taxes on capital, except such as is invested in real estate.

Tables similar to the foregoing, for the years 1867 and 1869, and from 1874 to 1876 inclusive, appear in the appendix.

The amount of losses charged off by the banks during the last three years have been tabulated from the semi-annual reports of dividends and earnings made by the banks, and the results appear in the table below, which shows the number of banks which have suffered losses, and the amounts charged off by them, during each of the semi-annual periods ending on March 1 and September 1 of the years named:

Geographical divisions.	Six months ending—				Aggregate losses.
	March 1, 1878.		September 1, 1878.		
	No. of banks.	Losses.	No. of banks.	Losses.	
New England States.....	327	\$3, 344, 012	399	\$4, 016, 814	\$7, 360, 826
Middle States.....	417	4, 506, 813	449	5, 502, 770	10, 009, 583
Southern States.....	124	672, 032	140	1, 225, 602	1, 897, 624
Western States and Territories.....	436	2, 380, 288	442	2, 818, 469	5, 198, 757
Totals for 1878.....	1, 304	10, 903, 145	1, 430	13, 563, 655	24, 466, 800
Add totals for 1877.....	980	8, 175, 961	1, 108	11, 757, 627	19, 933, 588
Add totals for 1876.....	806	6, 501, 170	1, 034	13, 217, 857	19, 719, 027
Aggregate losses and average number of banks, yearly.....	1, 030	25, 580, 276	1, 191	38, 539, 139	64, 119, 415

In his last two reports, the Comptroller gave tables showing the amount of losses thus charged off by the banks in each State and principal city in the Union during the years 1876 and 1877. A similar table is here presented for the present year, which gives the number of banks and amount of losses for each dividend period, to which are added the losses of the years 1876 and 1877:

States and cities.	March 1, 1878.		September 1, 1878.		Total.
	No. of banks.	Losses.	No. of banks.	Losses.	
Maine.....	39	\$82,399 47	42	\$153,457 93	\$215,857 40
New Hampshire.....	23	52,704 69	31	86,158 23	138,862 92
Vermont.....	25	160,026 03	33	218,407 69	378,433 72
Massachusetts.....	116	606,935 00	146	1,099,369 18	1,706,304 18
Boston.....	45	1,068,186 86	48	1,422,010 60	2,490,197 46
Rhode Island.....	23	721,661 20	38	415,073 24	1,136,734 44
Connecticut.....	56	652,098 23	61	642,337 12	1,294,435 35
New York.....	129	528,530 28	157	716,514 78	1,245,045 06
New York City.....	40	2,443,380 83	42	2,703,939 15	5,147,319 98
Albany.....	7	128,137 72	7	145,251 96	273,389 68
New Jersey.....	54	235,224 34	54	425,650 62	660,874 96
Pennsylvania.....	124	702,158 74	121	535,441 55	1,237,600 29
Philadelphia.....	20	190,045 35	22	371,630 95	561,676 30
Pittsburgh.....	13	100,208 94	18	318,827 57	419,036 51
Delaware.....	5	11,212 94	2	12,081 86	23,294 80
Maryland.....	8	25,101 77	8	9,341 37	34,443 14
Baltimore.....	12	138,674 34	12	230,241 65	368,915 99
District of Columbia.....	1	1,000 00	1	3,375 00	4,375 00
Washington.....	4	3,138 14	5	30,473 39	33,611 53
Virginia.....	15	88,235 87	16	122,704 26	210,940 13
West Virginia.....	6	12,809 04	9	22,434 35	35,243 39
North Carolina.....	12	71,363 73	12	149,901 81	221,265 54
South Carolina.....	10	70,696 13	10	29,367 83	100,063 96
Georgia.....	8	26,833 14	9	59,247 73	86,080 87
Florida.....	1	6,078 48	-----	-----	6,078 48
Alabama.....	7	28,244 60	9	70,802 41	99,047 01
New Orleans.....	6	40,557 55	7	297,939 35	338,496 90
Texas.....	11	32,828 14	9	41,031 60	73,859 74
Arkansas.....	2	14,402 05	2	11,060 18	25,462 23
Kentucky.....	21	103,343 81	30	163,171 41	266,515 22
Louisville.....	7	85,198 52	8	150,327 53	235,526 05
Tennessee.....	18	91,441 06	19	107,613 07	199,054 13
Ohio.....	83	358,859 37	94	606,815 54	965,674 91
Cincinnati.....	4	49,797 47	5	30,233 26	80,030 73
Cleveland.....	4	70,025 04	4	152,883 00	222,908 04
Indiana.....	59	257,823 49	56	353,474 40	611,297 89

Losses of the National Banks—Continued.

States and cities.	March 1, 1878.		September 1, 1878.		Total.
	No. of banks.	Losses.	No. of banks.	Losses.	
Illinois.....	67	\$161, 741 93	73	\$288, 720 66	\$450, 462 59
Chicago.....	9	394, 762 84	9	520, 321 30	915, 084 14
Michigan.....	52	205, 873 19	48	165, 988 78	371, 861 97
Detroit.....	3	91, 935 74	3	42, 681 27	134, 617 01
Wisconsin.....	18	50, 044 39	18	27, 715 87	77, 760 26
Milwaukee.....	2	46, 141 17	3	28, 817 41	74, 958 58
Iowa.....	50	183, 033 46	40	92, 673 24	275, 706 70
Minnesota.....	23	128, 388 05	24	98, 568 87	226, 956 92
Missouri.....	18	65, 477 18	16	47, 822 11	113, 299 29
Saint Louis.....	4	75, 838 52	5	95, 618 14	171, 456 66
Kansas.....	9	53, 597 18	11	113, 305 78	166, 902 96
Nebraska.....	5	40, 919 54	8	22, 978 62	63, 898 16
Colorado.....	10	56, 941 34	10	48, 430 80	105, 372 14
Oregon.....	1	14, 054 46	1	6, 805 58	20, 860 04
California.....	4	12, 635 37	3	9, 834 06	22, 469 43
San Francisco.....	2	38, 241 06	2	14, 662 85	52, 903 91
New Mexico.....	1	10, 160 57	1	12, 872 37	23, 032 94
Utah.....	1	1, 241 01	1	11, 499 00	12, 740 01
Montana.....	5	8, 663 39	4	9, 082 52	17, 745 91
Wyoming.....	1	3, 051 12	2	11, 228 05	14, 279 17
Dakota.....	1	1, 041 17	1	5, 436 00	6, 477 17
Totals for 1878.....	1, 304	10, 903, 145 64	1, 430	13, 563, 654 85	24, 466, 799 89
Add for 1877.....	980	8, 175, 960 56	1, 108	11, 757, 627 43	19, 933, 587 99
Add for 1876.....	806	6, 501, 169 82	1, 034	13, 217, 856 60	19, 719, 026 42
Aggregate losses for three years.....		25, 580, 275 42		38, 539, 138 83	64, 119, 414 30

It will be seen from the foregoing tables that the total losses charged off by the banks during the current year were \$24,466,799.89; that in 1877 they amounted to \$19,933,587.99, and in 1876 to \$19,719,026.42; making a grand aggregate of \$64,119,414.30 of losses which the banks have sustained during the three years named, and have wiped off from their books by charging them largely to their previously accumulated undivided profit and surplus accounts.

The amount of losses sustained by the banks in the more important cities during the same period is shown in the following table:

Cities.	1876.	1877.	1878.
New York.....	\$6, 873, 759 97	\$4, 247, 941 66	\$5, 147, 319 98
Boston.....	1, 598, 722 68	2, 192, 053 81	2, 490, 197 46
Philadelphia.....	152, 976 14	333, 248 47	561, 676 30
Pittsburgh.....	333, 851 56	289, 466 59	419, 036 51
Baltimore.....	876, 207 32	200, 597 74	368, 915 99
New Orleans.....	519, 701 41	286, 259 47	338, 496 90

In consequence of the losses above shown, many of the banks have been compelled to entirely forego dividends for a longer or shorter period. A tabular statement is given below, showing by geographical divisions the number of banks, with their capital, which passed dividends during each of the semi-annual dividend periods of 1877 and 1878:

Geographical divisions.	Six months ending—							
	March 1, 1877.		September 1, 1877.		March 1, 1878.		September 1, 1878.	
	No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital.
New England States.....	25	\$8, 150, 000	35	\$9, 085, 000	37	\$9, 389, 500	51	\$14, 870, 000
Middle States.....	73	12, 742, 000	92	15, 573, 200	95	17, 244, 400	114	22, 454, 850
Southern States.....	27	3, 720, 000	30	4, 236, 000	36	5, 266, 000	44	6, 867, 000
Western States.....	106	14, 090, 000	118	10, 737, 000	144	15, 013, 000	132	12, 870, 100
Pacific States and Territories	14	1, 750, 000	13	1, 535, 000	16	1, 885, 000	16	1, 675, 000
Totals.....	245	40, 452, 000	288	41, 166, 200	328	48, 797, 900	357	58, 736, 950

The number of banks passing dividends in the first dividend period of 1876 was 235, with a capital of \$34,290,320; and in the second period the number was 273, and the capital represented was \$44,057,725. It will be seen that during the last three years, an average amount of \$44,583,516 of capital of the national banks has paid no dividends whatever to its owners.

But the foregoing table of the number of banks which have passed dividends during the last three years does not fully represent the effect of the great losses suffered by them, nor the diminution of their profits in later years. For, in addition to what is here shown, very many of the banks which have declared dividends have been compelled to reduce them to rates which cannot be considered a fair compensation for the use of the capital employed. This additional effect is shown in the following table, which exhibits the amount of capital, surplus, dividends, and total earnings of all the national banks, for each half year, from March 1, 1869, to September 1, 1878, together with the ratios of such dividends and earnings to capital and surplus:

Period of six months ending—	No. of banks.	Capital.	Surplus.	Total dividends.	Total net earnings.	RATIOS.		
						Dividends to capital.	Dividends to capital and surplus.	Earnings to capital and surplus.
						<i>Per ct.</i>	<i>Per ct.</i>	<i>Per ct.</i>
Sept. 1, 1869	1, 481	\$401, 650, 802	\$82, 105, 848	\$21, 767, 831	\$29, 221, 184	5. 42	4. 50	6. 04
Mar. 1, 1870	1, 571	416, 366, 991	86, 118, 210	21, 479, 095	28, 996, 934	5. 16	4. 27	5. 77
Sept. 1, 1870	1, 601	425, 317, 104	91, 630, 620	21, 080, 343	26, 813, 885	4. 96	4. 08	5. 19
Mar. 1, 1871	1, 605	428, 699, 165	94, 672, 401	22, 205, 150	27, 243, 162	5. 18	4. 24	5. 21
Sept. 1, 1871	1, 693	445, 999, 264	98, 286, 591	22, 125, 279	27, 315, 311	4. 96	4. 07	5. 02
Mar. 1, 1872	1, 750	450, 693, 706	99, 431, 243	22, 859, 826	27, 502, 539	5. 07	4. 16	5. 00
Sept. 1, 1872	1, 852	465, 676, 023	105, 181, 942	23, 827, 289	30, 572, 891	5. 12	4. 17	5. 36
Mar. 1, 1873	1, 912	475, 918, 683	114, 257, 288	24, 826, 061	31, 926, 478	5. 22	4. 21	5. 41
Sept. 1, 1873	1, 955	488, 100, 951	118, 113, 848	24, 823, 029	33, 122, 000	5. 09	4. 09	5. 46
Mar. 1, 1874	1, 967	489, 510, 323	123, 469, 859	23, 529, 998	29, 544, 120	4. 81	3. 84	4. 82
Sept. 1, 1874	1, 971	489, 938, 284	128, 364, 039	24, 929, 307	30, 036, 811	5. 09	4. 03	4. 86
Mar. 1, 1875	2, 007	493, 568, 831	131, 560, 637	24, 750, 816	29, 136, 007	5. 01	3. 96	4. 66
Sept. 1, 1875	2, 047	497, 864, 833	134, 123, 649	24, 317, 785	28, 800, 217	4. 88	3. 85	4. 56
Mar. 1, 1876	2, 076	504, 209, 491	134, 467, 595	24, 811, 581	23, 097, 921	4. 92	3. 88	3. 62
Sept. 1, 1876	2, 081	500, 482, 271	132, 251, 078	22, 563, 829	20, 540, 231	4. 50	3. 57	3. 25
Mar. 1, 1877	2, 080	496, 651, 580	130, 872, 165	21, 803, 969	19, 592, 962	4. 39	3. 47	3. 12
Sept. 1, 1877	2, 072	486, 324, 860	124, 349, 254	22, 117, 116	15, 274, 028	4. 54	3. 62	2. 50
Mar. 1, 1878	2, 074	475, 609, 751	122, 373, 561	18, 982, 390	16, 946, 696	3. 99	3. 17	2. 83
Sept. 1, 1878	2, 047	470, 231, 896	118, 687, 134	17, 959, 223	13, 658, 893	3. 81	3. 04	2. 31

This table shows a gradual and steady decline in the ratio, not only of dividends but of earnings, from 1870 to the present time. The ratio of dividends to capital has declined from 10.12 per cent. in 1870 to 7.80 per cent. in the present year; the ratio of dividends to capital and surplus, which in 1870 was 8.35, is this year but 6.21; while the ratio of total net earnings to capital and surplus has receded during the same period from 10.96 to 5.14. The latter fact shows how largely the dividends of late years have been drawn from the accumulated earnings of former periods, and that even the diminished dividends of to-day much exceed the actual current earnings of the banks.

A table is given in the appendix which shows concisely the ratio of dividends to capital, and to capital and surplus, and of total net earnings to capital and surplus, of each State and principal city in the Union, for each half year from March 1, 1874, to September 1, 1878.

The following table exhibits by geographical divisions ratios similar to those on the foregoing page, for the years 1876 1877, and 1878:

Geographical divisions.	1876.			1877.			1878.		
	Divi- dends to capital.	Divi- dends to capital and sur- plus.	Earnings to capital and sur- plus.	Divi- dends to capital.	Divi- dends to capital and sur- plus.	Earnings to capital and sur- plus.	Divi- dends to capital.	Divi- dends to capital and sur- plus.	Earnings to capital and sur- plus.
	<i>Per ct.</i>	<i>Per ct.</i>	<i>Per ct.</i>	<i>Per ct.</i>	<i>Per ct.</i>	<i>Per ct.</i>	<i>Per ct.</i>	<i>Per ct.</i>	<i>Per ct.</i>
New England									
States	8.4	6.7	6.5	7.6	6.0	4.7	6.9	5.5	4.3
Middle States ..	9.8	7.7	5.5	8.5	6.6	5.4	7.9	6.1	4.9
Southern States	8.8	7.6	9.6	8.3	7.1	7.1	7.3	6.2	5.7
Western States and Territo- ries	10.3	8.1	9.9	12.2	9.6	7.2	9.6	7.8	6.9
United States ..	9.4	7.5	6.9	8.9	7.1	5.6	7.8	6.2	5.1

REDEMPTION.

The following table exhibits the amount of national-bank notes received for redemption monthly by the Comptroller of the Currency for the year ending November 1, 1878, and the amount received for the same period at the redemption-agency of the Treasury, together with the total amount received since the passage of the act of June 20, 1874:

Months.	Received by Comptroller.					Received at the re- demption- agency.
	From national banks for re- issue or sur- render.	From redemption- agency for reissue.	Notes of na- tional banks in liquida- tion.	Under act of June 20, 1874.	Total.	
November, 1877	\$11,680	\$3,107,800	\$166,546	\$1,432,017	\$4,718,043	\$17,340,759
December, 1877	17,590	3,101,900	137,500	529,692	3,786,682	17,222,396
January, 1878	15,400	4,323,100	258,189	577,010	5,173,699	18,040,569
February, 1878	30,900	3,720,600	203,750	524,397	4,479,647	13,538,278
March, 1878	18,000	3,534,800	129,420	392,760	4,074,980	12,025,805
April, 1878	106,500	4,001,700	211,458	721,178	5,040,836	15,766,848
May, 1878	68,700	6,086,500	326,315	1,096,429	7,577,944	24,076,684
June, 1878	66,073	5,909,800	492,043	1,017,166	7,485,082	23,615,670
July, 1878	346,750	4,635,100	183,127	690,264	5,855,241	22,785,473
August, 1878	115,405	3,435,400	308,585	625,507	4,484,897	16,418,603
September, 1878	37,600	2,997,500	177,914	327,069	3,540,080	13,292,206
October, 1878	161,159	2,995,000	89,580	283,063	3,528,802	8,376,449
Total	995,757	47,849,200	2,684,424	8,216,552	59,745,933	202,499,740
Received from June 20, 1874, to November 1, 1877	10,974,288	273,670,855	10,283,941	52,805,216	347,734,300	664,794,553
Grand total	11,970,045	321,520,055	12,968,365	61,021,768	407,480,233	867,294,293

During the year ending November 1, 1878, there was received at the redemption-agency of the Treasury \$202,499,740 of national-bank notes, of which amount \$65,847,000, or about 32½ per cent., was received from the banks in New York City, and \$75,396,000, or about 37½ per cent., from Boston. The amount received from Philadelphia was \$10,756,000; from Baltimore, \$1,215,000; Pittsburgh, \$1,026,000; Cincinnati, \$2,223,000; Chicago, \$2,866,000; Saint Louis, \$814,000; Providence, \$4,945,000. The amount of circulating notes, fit for circulation, returned by the agency to the banks during the year was \$151,683,200. The total amount received by the Comptroller for destruction, from the redemption-agency and from the national banks direct, was \$57,061,509. Of this

amount \$5,830,516 were issues of the banks in the city of New York; \$4,447,325 of Boston; \$1,811,160 of Philadelphia; \$1,107,323 of Baltimore; \$1,087,470 of Pittsburgh; \$435,200 of Cincinnati; \$444,398 of Chicago; \$169,673 of Saint Louis; \$360,281 of New Orleans; \$351,800 of Albany; and \$359,490 of Cleveland.

There were, on November 1, \$282,991,768 of national-bank notes outstanding upon which the charter number had been printed, and \$36,660,353 not having that imprint.

The following table exhibits the number and amount of national-bank notes of each denomination which have been issued and redeemed since the organization of the system, and the number and amount outstanding on November 1, 1878 :

Denominations.	Number.			Amount.		
	Issued.	Redeemed.	Outstanding.	Issued.	Redeemed.	Outstanding.
Ones	22, 478, 415	18, 194, 196	4, 284, 219	\$22, 478, 415	\$18, 194, 196	\$4, 284, 219
Twos.....	7, 517, 765	6, 226, 692	1, 291, 073	15, 035, 530	12, 453, 384	2, 582, 146
Fives	61, 191, 288	42, 683, 433	18, 507, 855	305, 956, 440	213, 417, 165	92, 539, 275
Tens	24, 157, 293	13, 859, 149	10, 298, 144	241, 572, 930	138, 591, 490	102, 981, 440
Twenties.....	7, 344, 167	3, 933, 178	3, 410, 989	146, 883, 340	78, 633, 560	68, 219, 780
Fifties	1, 147, 578	728, 222	419, 356	57, 378, 900	36, 411 100	20, 967, 800
One-hundreds	812, 903	541, 859	271, 044	81, 290, 300	54, 185, 900	27, 104, 400
Five-hundreds	20, 210	18, 895	1, 315	10, 105, 000	9, 447, 500	657, 500
Thousands	6, 204	5, 900	304	6, 204, 000	5, 900, 000	304, 000
					*—11, 562	*+11, 562
Totals.....	124, 675, 823	86, 191, 524	38, 484, 299	886, 904, 855	567, 252, 733	319, 652, 122

A table showing the number and denominations of national-bank notes issued and redeemed, and the number of each denomination outstanding on November 1 for the last eleven years, will be found in the appendix.

The following table shows the amount of national-bank notes received at this Office and destroyed yearly since the establishment of the system :

Prior to November 1, 1865.....	175, 490
During the year ending October 31, 1866.....	1, 050, 382
During the year ending October 31, 1867.....	3, 401, 423
During the year ending October 31, 1868.....	4, 602, 825
During the year ending October 31, 1869.....	8, 603, 729
During the year ending October 31, 1870.....	14, 305, 689
During the year ending October 31, 1871.....	24, 344, 047
During the year ending October 31, 1872.....	30, 211, 720
During the year ending October 31, 1873.....	36, 433, 171
During the year ending October 31, 1874.....	49, 939, 741
During the year ending October 31, 1875.....	137, 697, 696
During the year ending October 31, 1876.....	98, 672, 716
During the year ending October 31, 1877.....	76, 918, 963
During the year ending October 31, 1878.....	57, 381, 249
Additional amount destroyed of notes of banks in liquidation.....	23, 524, 492
Total.....	567, 263, 333

INSOLVENT BANKS.

Since November 1, 1877, receivers have been appointed for banks in operation at that date, as follows :

	Capital.
Third National Bank of Chicago, Ill	\$750, 000
Central National Bank of Chicago, Ill	200, 000
First National Bank of Kansas City, Mo	500, 000
Commercial National Bank of Kansas City, Mo.....	100, 000
First National Bank of Tarrytown, N. Y	100, 000
Washington County National Bank of Greenwich, N. Y.....	200, 000

* Subtract or add for portions of notes lost or destroyed.

	Capital.
First National Bank of Dallas, Tex	\$50, 000
People's National Bank of Helena, Mont.....	100, 000
First National Bank of Bozeman, Mont.....	50, 000
Farmers' National Bank of Platte City, Mo.....	50, 000
	<hr/>
	2,100, 000

Receivers have also been appointed, since the date named, for the following banks which had previously gone into voluntary liquidation: First National Bank of Ashland, Pa.; First National Bank of Allentown, Pa.; First National Bank of Waynesburg, Pa.; Citizens' National Bank of Charlottesville, Va.; and Merchants' National Bank of Fort Scott, Kans. The receivers for the five last-mentioned banks were appointed under authority of an act "authorizing the appointment of receivers of national banks, and for other purposes," approved June 30, 1876. This action was rendered necessary by the complaints of creditors that the affairs of the several banks were not being properly or efficiently settled by the officers or agents having them in charge.

Dividends have been paid to the creditors of six of the banks that have failed during the year, as follows:

Third National Bank of Chicago, Ill.....	70 per cent.
Central National Bank of Chicago, Ill.....	40 per cent.
First National Bank of Kansas City, Mo.....	30 per cent.
Commercial National Bank of Kansas City, Mo.....	100 per cent.
First National Bank of Tarrytown, N. Y.....	70 per cent.
Washington County National Bank of Greenwich, N. Y.....	50 per cent.

The aggregate amount of these dividends is \$1,309,167; the average rate being 53.8 per cent.

Dividends have also been paid during the year to creditors of banks which failed previous to November 1, 1877, as follows:

Merchants' National Bank of Washington, D. C.	14 $\frac{7}{10}$	per cent.; total,	24 $\frac{7}{10}$	per cent.
First National Bank of Selma, Ala.....	7	per cent.; total,	42	per cent.
Ocean National Bank, New York, N. Y.....	5	per cent.; total,	95	per cent.
Wallkill National Bank, Middletown, N. Y.....	15	per cent.; total,	100	per cent.
Crescent City National Bank, New Orleans, La..	15	per cent.; total,	75	per cent.
Atlantic National Bank, New York, N. Y.....	15	per cent.; total,	85	per cent.
New Orleans National Banking Association, La.	20	per cent.; total,	50	per cent.
First National Bank of Carlisle, Pa.....	32	per cent.; total,	72	per cent.
First National Bank of Topeka, Kans.....	13 $\frac{3}{10}$	per cent.; total,	58 $\frac{3}{10}$	per cent.
First National Bank of Norfolk, Va.....	10	per cent.; total,	45	per cent.
First National Bank of Tiffin, Ohio.....	10	per cent.; total,	37	per cent.
Charlottesville National Bank, Va.....	10	per cent.; total,	30	per cent.
Miners' National Bank, Georgetown, Colo.....	25	per cent.; total,	35	per cent.
Fourth National Bank of Chicago, Ill.....	10	per cent.; total,	50	per cent.
First National Bank of Bedford, Iowa.....	12 $\frac{1}{2}$	per cent.; total,	12 $\frac{1}{2}$	per cent.
First National Bank of Osceola, Iowa.....	75	per cent.; total,	100	per cent.
First National Bank of Duluth, Minn.....	27	per cent.; total,	72	per cent.
First National Bank of La Crosse, Wis.....	15	per cent.; total,	35	per cent.
City National Bank of Chicago, Ill.....	10	per cent.; total,	45	per cent.
Watkins National Bank, Watkins, N. Y.....	12 $\frac{1}{2}$	per cent.; total,	100	per cent.
First National Bank, Wichita, Kans.....	25	per cent.; total,	60	per cent.
Northumberland County Nat. B'k, Shamokin, Pa.	25	per cent.; total,	50	per cent.
First National Bank of Winchester, Ill.....	30	per cent.; total,	50	per cent.
National Exchange Bank, Minneapolis, Minn...	15	per cent.; total,	65	per cent.
National Bank of the State of Missouri, Saint Louis, Mo.....	10	per cent.; total,	35	per cent.
First National Bank of Delphi, Ind.....	25	per cent.; total,	50	per cent.
Lock Haven National Bank, Lock Haven, Pa....	30	per cent.; total,	30	per cent.

The total amount of dividends disbursed by the Comptroller to creditors of insolvent banks during the year ending November 1, 1878, was \$2,856,851. The total dividends paid since the organization of the system is \$14,010,313, upon proved claims amounting to \$23,147,393, or 60.53 per cent. of the amount of the claims.

Assessments amounting to \$5,703,500 have been made upon the share-

holders of thirty-four insolvent banks for the purpose of enforcing their individual liability, of which \$1,458,834 has been collected.

A table showing the national banks which have been placed in the hands of receivers, the date of appointment of receivers, the amount of capital and of claims proved, and the rates of dividends paid; and also one showing the amount of circulation of such banks, issued, redeemed, and outstanding, on November 1, 1878, will be found in the appendix.

STATE BANKS AND SAVINGS BANKS.

The laws of the United States require returns of capital and deposits to be made to the Commissioner of Internal Revenue, for purposes of taxation, by all State banks, savings-banks, and private bankers. The data for the following table were obtained from the Commissioner and compiled in this Office. This table exhibits, by geographical divisions, the number of State banks and trust companies, private bankers, and savings-banks, and their average capital and deposits for the six months ending May 31, 1878:

STATE BANKS AND TRUST COMPANIES.

Geographical divisions.	Number of banks.	Capital.	Deposits.
New England States.....	42	\$8, 189, 517	\$15, 062, 420
Middle States.....	217	42, 446, 037	122, 098, 847
Southern States.....	233	27, 378, 751	30, 667, 577
Western States.....	296	20, 247, 869	38, 877, 287
Pacific States and Territories.....	65	26, 085, 088	22, 776, 484
United States.....	853	124, 347, 262	229, 482, 625

PRIVATE BANKERS.

New England States.....	71	\$2, 858, 688	\$3, 228, 297
Middle States.....	916	34, 482, 781	61, 922, 908
Southern States.....	280	7, 298, 396	13, 683, 874
Western States.....	1, 450	26, 917, 565	75, 167, 656
Pacific States and Territories.....	139	6, 240, 798	29, 830, 230
United States.....	2, 856	77, 798, 228	183, 832, 965

SAVINGS-BANKS WITH CAPITAL.

New England States.....	1	\$68, 400	\$1, 139, 916
Middle States.....	3	160, 000	1, 373, 145
Southern States.....	4	881, 882	1, 278, 960
Western States.....	11	304, 852	1, 931, 700
Pacific States and Territories.....	4	1, 822, 208	20, 456, 307
United States.....	23	3, 237, 342	26, 179, 968

SAVINGS-BANKS WITHOUT CAPITAL.

New England States.....	441	.....	\$403, 427, 083
Middle States.....	190	.....	358, 680, 633
Southern States.....	3	.....	2, 143, 723
Western States.....	25	.....	10, 308, 123
Pacific States and Territories.....	9	.....	28, 739, 783
United States.....	668	.....	803, 299, 345

SUMMARY.

New England States.....	555	\$11, 116, 605	\$422, 857, 726
Middle States.....	1, 326	77, 088, 818	544, 075, 533
Southern States.....	520	35, 559, 029	47, 774, 074
Western States.....	1, 782	47, 470, 286	126, 284, 766
Pacific States and Territories.....	217	34, 148, 094	101, 802, 804
United States.....	4, 400	205, 382, 832	1, 242, 794, 903

The following table exhibits by States, cities, and geographical divisions, the average capital and deposits of the same banks and bankers, and the taxes thereon for the same period:

States and Territories.	No. of banks.	Capital.	Deposits.	Tax.		
				On capital.	On deposits.	Total.
Maine.....	69	\$92,108	\$28,957,428	\$188 98	\$1,253 21	\$1,442 19
New Hampshire.....	71	61,000	28,309,624	152 50	4,270 50	4,423 00
Vermont.....	21	344,167	8,140,383	829 33	4,096 57	4,925 90
Massachusetts.....	170	834,666	157,816,812	1,429 33	5,085 19	6,514 52
Boston.....	59	3,061,397	70,746,941	3,826 47	17,694 04	21,520 51
Rhode Island.....	58	3,883,267	50,028,328	8,188 16	39,301 63	47,489 79
Connecticut.....	107	2,840,000	78,858,210	5,604 82	31,271 53	36,876 35
New England States.....	555	11,116,605	422,857,726	20,219 59	102,972 67	123,192 26
New York.....	328	10,427,448	148,258,669	20,290 36	100,972 62	121,262 98
New York City.....	443	40,700,289	247,964,314	56,276 58	214,356 85	270,633 43
Albany.....	14	642,000	12,153,189	706 47	4,039 36	4,745 83
New Jersey.....	59	1,741,071	19,326,498	3,536 29	14,587 16	18,123 45
Pennsylvania.....	313	10,807,358	29,979,015	25,172 82	74,851 74	100,024 56
Philadelphia.....	59	2,113,756	42,552,729	4,648 68	61,604 26	66,252 94
Pittsburgh.....	37	4,657,547	13,727,252	10,284 93	22,599 96	32,884 89
Delaware.....	9	712,578	1,798,521	1,667 97	2,031 54	3,699 51
Maryland.....	13	627,513	559,703	962 01	913 51	1,875 52
Baltimore.....	41	4,162,516	24,604,030	8,795 49	15,740 49	24,535 98
Washington.....	10	496,742	3,151,613	513 18	6,469 94	6,983 12
Middle States.....	1,326	77,088,818	544,075,533	132,854 78	518,167 43	651,022 21
Virginia.....	77	3,281,667	6,499,580	7,753 69	15,421 29	23,174 98
West Virginia.....	22	1,496,792	3,927,737	3,668 37	9,819 28	13,487 65
North Carolina.....	13	588,290	978,018	1,470 72	2,445 03	3,915 75
South Carolina.....	18	911,523	1,604,868	2,278 77	2,423 28	4,707 05
Georgia.....	67	4,317,817	3,948,488	10,711 40	9,190 49	19,901 89
Florida.....	6	89,483	233,405	223 70	583 48	807 18
Alabama.....	22	993,276	1,813,605	2,420 69	4,533 93	6,954 62
Mississippi.....	32	1,289,573	1,732,597	2,535 64	4,331 42	6,867 06
Louisiana.....	3	116,000	48,110	177 50	120 28	297 78
New Orleans.....	21	4,473,905	7,994,123	10,726 42	15,184 95	25,911 37
Texas.....	102	3,707,057	4,626,420	8,744 54	11,565 63	20,310 17
Arkansas.....	15	225,576	298,605	514 24	746 48	1,260 72
Kentucky.....	74	7,010,103	6,287,262	16,656 29	15,718 26	32,374 55
Louisville.....	17	5,288,296	5,288,057	12,971 68	14,125 04	27,096 72
Tennessee.....	31	1,769,671	2,731,199	4,233 85	6,828 00	11,061 85
Southern States.....	520	35,559,029	47,774,074	85,087 50	113,041 84	198,129 34
Ohio.....	255	6,042,364	15,952,238	12,959 68	38,776 39	51,736 07
Cincinnati.....	21	2,022,369	7,361,629	3,388 23	17,295 38	20,683 61
Cleveland.....	9	898,623	12,244,967	1,590 98	17,403 31	18,994 29
Indiana.....	150	5,081,175	10,224,039	11,724 36	21,838 78	33,563 14
Illinois.....	319	4,509,738	12,472,557	10,153 55	29,981 71	40,135 26
Chicago.....	31	3,612,908	6,832,759	4,892 45	17,043 45	21,935 90
Michigan.....	153	2,636,707	4,737,722	6,454 25	11,844 11	18,298 36
Detroit.....	15	1,108,368	5,179,009	1,800 91	11,038 32	12,839 23
Wisconsin.....	89	1,386,425	3,714,069	3,026 20	9,284 96	12,311 16
Milwaukee.....	11	729,853	5,747,509	1,669 66	14,368 72	16,038 38
Iowa.....	287	5,255,013	8,224,785	12,711 94	20,377 82	33,089 76
Minnesota.....	77	1,510,502	3,233,693	3,662 47	7,950 50	11,612 97
Missouri.....	176	4,124,269	10,184,792	9,811 03	25,461 50	35,272 53
Saint Louis.....	32	6,576,033	16,387,002	14,540 48	40,967 45	55,507 93
Kansas.....	109	1,472,344	2,598,746	3,441 85	6,496 55	9,938 40
Nebraska.....	48	503,595	1,189,250	1,203 76	2,972 96	4,176 72
Western States.....	1,782	47,470,286	126,284,766	103,031 80	293,101 91	396,133 71
Oregon.....	10	643,225	1,489,547	1,499 49	3,602 45	5,101 94
California.....	84	9,943,129	17,422,175	24,733 99	37,946 00	62,679 99
San Francisco.....	33	21,787,036	78,070,629	46,256 46	132,601 59	178,858 05
Colorado.....	28	526,190	934,915	1,315 46	2,336 38	3,651 84
Nevada.....	18	412,268	1,914,583	1,030 66	4,786 37	5,817 03
Utah.....	8	190,000	714,555	475 00	1,786 37	2,261 37
New Mexico.....	4	5,000	61,180	12 50	152 95	165 45
Wyoming.....	3	82,794	148,682	198 69	371 70	570 39
Idaho.....	2	54,000	16,358	135 00	40 88	175 88
Dakota.....	12	78,039	277,927	195 10	694 80	889 90
Montana.....	8	133,413	188,918	333 53	472 28	805 81
Washington.....	3	203,000	537,450	520 00	1,343 62	1,863 62
Arizona.....	4	85,000	25,885	212 50	64 70	277 20
Pacific States and Territories.....	217	34,148,094	101,802,804	76,918 38	186,200 09	263,118 47
Totals.....	4,400	205,382,832	1,242,794,903	418,112 05	1,213,483 94	1,631,595 99

Tables giving similar information for previous years will be found in the appendix.

Section 333 of the Revised Statutes requires the Comptroller to report to Congress the resources and liabilities of banks other than national, so far as such information can be obtained by him. Statements showing the condition of the State and savings banks of New York and New England are readily obtained for this purpose from the State authorities. A summary of these, and of returns showing the condition of the State banks of New Jersey, Pennsylvania, Maryland, Ohio, Louisiana, Kentucky, Michigan, Wisconsin, Minnesota, Kansas, and California, are given in the appendix. Complete returns are also given showing the condition of the savings-banks of New England, New York, New Jersey, Ohio, and California. It will be seen that complete returns of State banks have been received from seventeen States only, of savings-banks from but ten States, and of trust and loan companies from five only. The laws of fourteen States do not require returns to be made by banking associations to any State official. The tables referred to do not therefore present a satisfactory exhibit of the condition of the resources and liabilities of the State banks and savings-banks of the country.

SUMMARY OF THE PRINCIPAL RESTRICTIONS AND REQUIREMENTS OF THE NATIONAL BANK ACT.

1. The corporate powers possessed by the national banking associations, and which they cannot exceed, are limited by the organic act which governs them, and are very carefully enumerated therein. They are, briefly, as follows:

First. To adopt and use a corporate seal.

Second. To have succession for twenty years, unless sooner voluntarily dissolved, or their franchise becomes forfeited by some violation of law.

Third. To make contracts.

Fourth. To sue and be sued, as fully as natural persons.

Fifth. To elect or appoint directors, and by the directors to appoint a president, cashier, and other officers, and define their duties.

Sixth. To adopt all necessary by-laws, not inconsistent with law.

Seventh. To exercise by their boards of directors, or officers, *subject to law*, such incidental powers as are necessary to carry on the business of banking; by discounting and negotiating promissory notes and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security; and by obtaining and issuing circulating notes.

These are the entire powers possessed by the national banks, and it has been judicially held that all powers not here enumerated are withheld. These enumerated powers, therefore, operate also as restrictions upon the banks.

2. One of the provisions appearing in the above grant of powers is that the national banks may loan money upon personal security only—that is, real estate may not be taken by them, directly or indirectly, as *original* security for any loan; the effect of which is to make them commercial institutions, and to discourage the loaning of money upon securities not readily convertible.

3. Mortgages on real estate may be taken, or real estate be conveyed to them, by way of security for or in satisfaction of debts previously contracted in good faith; or they may purchase the same at sales under judgments, decrees, or mortgages held by them. But all possession by them of such real estate, whether under mortgage, by purchase, or otherwise, is limited to five years

4. They are required to have a paid-up capital of not less than \$100,000 each, and in cities of 50,000 inhabitants their capital must be not less than \$200,000 each. In the discretion of the Secretary of the Treasury, however, banks with not less than \$50,000 capital may be organized in places having less than 6,000 inhabitants. The design and effect of these provisions is to prevent, as far as possible, the establishment of feeble organizations, unequal to the wants of the communities in which they are located.

5. At least one-half of the authorized capital must be paid in before commencing business, and the remaining portion must be paid in at the rate of not less than one-fifth monthly from the time the association is authorized to commence business. Proper provision is made for enforcing payment of installments of capital stock subscribed, or for making good any impairment of capital which may occur in the course of business.

6. The Comptroller is also authorized and required, before issuing his certificate of authority to any association to commence business, to ascertain if such association has in good faith complied with all the requirements of law preliminary to its organization, and he may appoint a special commission for this purpose if thought necessary. He must also obtain a sworn statement of the president and cashier and of a majority of the directors of the proposed association, setting forth all the facts properly bearing on this inquiry.

7. No increase or reduction of the authorized capital of an association can be made without the approval of the Comptroller being first obtained, and no increase is valid until the whole amount is actually paid in and certified to under oath.

8. Every director must be a citizen of the United States, and three-fourths of the directors of any association must be residents of the State, Territory, or District in which it is located. Each director must also, during his whole continuance in office, be the *bona-fide* owner of not less than ten shares of the capital stock of the association of which he is a director, which shares must not be hypothecated or in any way pledged as security for any loan or debt. To all of which he must make oath.

9. Every director must also, immediately upon his election or appointment, make and transmit to the Comptroller an oath that he will faithfully administer the affairs of his association, and will not knowingly violate, or permit to be violated, any of the provisions of the national-bank act.

10. The shareholders of every national bank are each made individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such association, to the extent of their stock therein, at its par value, *in addition* to the amount invested in such shares; thus giving a double security to the general creditors of these associations.

11. Each national bank, before it is authorized to commence business, must have first deposited with the Treasurer of the United States an amount of interest-bearing, registered United States bonds, not less in any case than \$30,000, nor less than one-third of the paid-in capital of the bank, except that, by a late act, the maximum deposit of bonds required for any bank is \$50,000. These bonds are primarily held as security for the redemption of the circulating notes of the bank; but as the amount of circulation issued equals ninety per cent. only of the par value of the bonds deposited, any excess in the value of the bonds above the amount of circulation to be redeemed becomes an added security, in the possession of the government, applicable to the payment

of claims of the general creditors of the association depositing them, should it become insolvent.

12. National banks are forbidden to make transfers or assignments of any of their assets or credits after an act of insolvency, or in contemplation thereof, with a view to the preference of one creditor to another; and any transfer or assignment so made is null and void.

13. Every association in the national system is required to receive at par, for any debt or liability to it, the circulating notes of any and all other banks in the system, and these notes are also receivable by the government for all taxes or other dues, except duties on imports, and are payable for all debts or demands owing by the government, except interest on the public debt. These features give to the notes an additional value beyond that which they possess through a deposit of United States bonds.

14. One of the most invaluable features of the national banking system is that requiring each association to have at all times on hand an available cash reserve of specified proportions as compared with its deposits and circulation. The proportion required for banks located in the financial centers of the country is 25 per cent. of their deposits. For all other banks the required proportion is 15 per cent. of their deposits. The proportion of reserve to circulation is the same for all banks, namely, five per cent., which amount is to be at all times on deposit with the Treasurer of the United States, to be held and used by him in the redemption of their notes. This sum is also permitted to be counted as part of the required reserve on deposits. Most stringent means are placed at the disposal of the Comptroller for enforcing compliance by the banks with the requirements of the law relating to the maintenance of a cash reserve.

15. Equal in importance with the requirements as to a cash reserve are the provisions which compel the accumulation by each national bank of a surplus fund, to be set apart by it from time to time out of the profits of its business, and which fund may not be used by the bank for any purpose other than to meet and charge off losses in excess of its current earnings. These provisions require that each association shall, before making any dividend, carry to its surplus fund one-tenth part of its net profits since its last preceding dividend, until the same shall amount to 20 per cent. of its capital stock. It is further provided that no dividend shall ever be declared by any association to an amount greater than its undivided profits (not surplus) then on hand, deducting therefrom its losses and bad debts, and that if such losses shall equal or exceed its profits on hand other than surplus, no dividend shall be made. Careful provision is thus made for the steady growth of the surplus fund of each national bank, until its sum shall equal one-fifth of the capital of the association, thereby establishing a reserve fund against which it may charge any excess of losses over and above its other profits on hand, and thus preserve its capital stock unimpaired. Under these provisions the amount of surplus accumulated by all the banks now in operation is \$116,897,800, against an aggregate capital of \$466,147,436.

16. Another very important feature of the law is the requirement that detailed statements of the condition of each national bank, verified by the oath of its president or cashier, and attested by not less than three of its directors, shall, not less than five times in each year, be made to the Comptroller, and also be published in the city or town where the bank is established; and to guard against the possibility of any bank fortifying itself, in advance of a known day for making a report, so as to make a good showing on that particular day, it is further provided that each report shall be for some *past* day, to be specified by the Comptroller.

This Office, also, under the law, makes annually a report to Congress, containing a great number and variety of statistical tables compiled from the various reports of the banks, through the wide distribution of which full information concerning the banks and the working of the system is annually placed before the public.

17. The national banks are also required to make semi-annual reports to the Comptroller of their dividends declared, and the amount of their profits in excess of such dividends, which returns are also tabulated by him and the results presented to Congress and the country in his annual reports. Full means are provided for enforcing compliance by the banks with the provisions of law concerning both classes of reports here named, by authorizing a severe penalty for any failure or neglect to make and transmit the same.

18. In addition to the means for acquiring a knowledge of the condition of the banks furnished by the reports already mentioned, the law provides for their examination periodically by disinterested persons to be appointed by the Comptroller. These persons visit the banks, inspect their books of account, securities, and assets and liabilities generally, have power to examine their officers and directors under oath and inquire into all matters necessary to a full understanding of their actual, existing condition, and then make immediate and full report in writing of the results of such examination. This feature of the law is an invaluable one, operating not only as a restraint against irregular practices by any banks so disposed, but as a means of detecting them and preventing their recurrence. These examinations may be as frequent as is thought necessary, and their expense is borne by the banks themselves.

19. All necessary publicity as to the ownership of shares in any national banking association is secured by a provision requiring that a list of the names and residences of all its shareholders, and the number of shares held by each, shall be kept in the office where its business is transacted, and shall, during business hours, be subject to the inspection of any shareholder or creditor of the association, and of the officers authorized to assess taxes under State authority. A copy of such list, verified by oath, must also be transmitted to the Comptroller annually.

20. The national banks serve a very useful purpose, both to the government and the public, more especially in localities where there is not a subtreasury, by acting, when so authorized by the Secretary of the Treasury, as depositories of public moneys and financial agents of the United States. For their services in this regard they receive no direct compensation, and are, moreover, required to give satisfactory security for the faithful performance of their duties and the safe custody and prompt payment of all public moneys intrusted to them, by a deposit with the Treasurer of a sufficient amount of United States bonds.

21. The national banks are prohibited from loaning to any person, company, corporation or firm, an amount exceeding one-tenth part of their capital; and in estimating the liabilities of a company or firm the liabilities of its several members are to be included. They are thus, by law, made conservative in their management, and restrained from granting excessive loans, which would at least lessen their general usefulness to the communities in which they are situated and perhaps impair their safety.

22. They are further prohibited from making any loan or discount whatever on the security of the shares of their own capital stock, or from purchasing or holding the same unless to prevent loss upon a debt previously contracted in good faith. And, even in the latter case, they are not permitted permanently to hold or to cancel shares so obtained, but

must, within six months from the date of their acquirement, sell or dispose of them at public or private sale.

23. They are also prohibited from becoming indebted or in any way liable to an amount exceeding that of their capital stock actually paid in, except on account (1) of their circulating notes; (2) their deposits or collections; (3) bills of exchange or drafts drawn against money actually on deposit to their credit or due to them; and (4) liabilities to their own stockholders for reserved profits. The purpose and effect of these provisions are to make the national banks lenders and not borrowers of money.

24. They are further forbidden, either directly or indirectly to pledge or hypothecate any of their circulating notes for the purpose of procuring money with which to pay in or increase their capital stock, or for use in their banking operations, or otherwise. This restriction effectually precludes the practice, which was common in some former State systems, of employing the circulating notes of an association in the increase of its own capital, or in furnishing capital for a new association, which practice has at times been carried to an extreme limit.

25. The national banks are restricted in the rate of interest which they may take, receive, or reserve, to the rate allowed by the laws of the State, Territory, or District in which they are located.

26. A system of redemption of the circulating notes of the national banks is provided, whereby not only may they be readily converted into lawful money, but the mass of the circulation may be kept clean through the retirement of such portion as becomes worn or mutilated and the issue of new notes by the Comptroller, in their stead. This redemption is accomplished and compelled by requiring, first, that each national bank shall redeem its circulating notes at its own counter, at par, in lawful money on demand; second, that the notes of all closed banks shall be redeemed by the Treasurer; third, that all worn, mutilated, or defaced national-bank notes which are received by any assistant treasurer or designated depository of the United States shall be forwarded to the Treasury for redemption; and, fourth, by providing that when the notes of any associations, assorted or unassorted, are presented in sums of \$1,000, or any multiple thereof, to the Treasurer they shall be redeemed by that officer. The government is indemnified for all redemptions made by it, either by the bonds which it holds, as in the case of insolvent banks, or by a deposit of lawful money which is required to be previously made by all other banks.

27. If a national bank fails to pay its circulating notes, the Comptroller is authorized to sell its bonds and provide for their payment. The government is indemnified against any possible loss from its guaranty of the payment of such circulating notes, by having reserved to it by law a paramount lien upon all the assets of any association which defaults in the redemption of its notes, to make good any deficiency arising from the sale of its bonds.

28. The destruction of all mutilated notes and of notes of closed banks, redeemed by the Treasurer, is regulated by instructions of the Secretary, given in pursuance of law. All notes destroyed are previously counted by separate agents or representatives of the Secretary, the Treasurer, the Comptroller of the Currency, and the banks which issued the notes; they are effectually mutilated by clipping and punching, to prevent their possible circulation should they by any remote chance pass out of the possession of the Treasury before destruction; they are, in the presence of each of the agents mentioned, placed in a triple-locked macerating machine, where they are immediately ground

into pulp; and their destruction is certified to by all the agents, both upon proper books in the Treasury department and in certificates sent to the banks of issue.

29. The banks are prohibited, under a severe penalty, from certifying any check drawn upon them, unless the person or company drawing the check has at the time on deposit with them an amount of money equal to that specified in the check.

30. They are also prohibited from making any loan on the security of United States or national-bank notes, or from agreeing for a consideration to withhold the same from use, the purpose of the prohibition being to prevent the "locking up" of money by the national-banks, in the interests of speculators.

31. The officers of national banks are required to make returns under oath to the Treasurer of the United States and to pay to him in semi-annual installments an annual duty of one per cent. upon the average amount of their circulating notes, one-half of one per cent. upon the average amount of their deposits, and a like rate upon the average amount of their capital stock beyond the amount invested in United States bonds. This duty is in lieu of all other *government* taxes.

32. The payment to the United States of the duties named does not, however, relieve the national banks from any liability to taxation by other than government authority, as it is expressly provided that nothing in the act shall prevent the shares of these associations from being taxed by the States as is other similar property, or shall exempt their real property from State, county, or municipal taxation, to the same extent as other real property.

33. Should the capital stock of any association become impaired in the course of business, by losses or otherwise, it must, within three months after the association shall have received notice from the Comptroller, be made good by assessment upon the shareholders *pro rata* for the amount of stock held by them; and during such impairment the Treasurer is required, upon notification from the Comptroller, to withhold the interest on all bonds held by him in trust for such association. The authorized capital of the banks is thus by law compelled to be kept always intact, for the protection of their creditors.

34. When a national bank goes into voluntary liquidation, it must, within six months thereafter, deposit in the Treasury an amount of lawful money equal to its entire outstanding circulation, which circulation is thereafter redeemed by the Treasurer. Thus the banks, under existing law, derive no benefit from the accidental loss or destruction of any portion of their notes, such benefit inuring solely to the government.

35. Should any bank become insolvent, the most ample powers are possessed by the Comptroller to take possession of such association, through a receiver to be appointed by him, and to proceed to collect its assets, and pay off, by dividends from time to time, the claims of its creditors. The note-holders are in such cases as secure as though the bank had remained solvent, the notes being protected by the bonds held by the government; while the other creditors have as a protection, in addition to the assets of the bank, the individual liability of the shareholders before mentioned, together with the capital paid in, no part of which can be returned to the shareholders until all approved claims against the association shall have been paid.

36. Mention has several times been made herein of the ample means provided in the national-bank act for enforcing compliance with its provisions, by the infliction of penalties for their violation or non-observ-

ance. All of these penalties are severe, and many of them summary, the principal ones being here enumerated:

I. For charging or exacting a usurious rate of interest, the whole interest agreed to be paid is forfeited; or, if actually paid, twice its amount may be recovered back by the person paying the same.

II. For certifying any check, unless the person by whom the check is drawn has on deposit with the association an amount of money equal to that represented by the check, the bank may be immediately closed by the appointment of a receiver.

III. For every day, after five days, in which a national bank shall fail to make and transmit to the Comptroller any report of its condition called for by him, and for similar delay in transmitting to him the required proof of publication of such report, and also for every day, after ten days, in which a bank shall fail to transmit its semi-annual report of dividends and earnings, a penalty of one hundred dollars is imposed. And if any association fails or refuses to pay the amount of such penalty when assessed and demanded, the Treasurer of the United States is authorized to retain it, upon the order of the Comptroller, out of the interest, as it may become due to the association, upon the bonds deposited to secure its circulation.

IV. For failure of the president or cashier of any association to report to the Treasurer semi-annually, for purposes of taxation, the average amount of its notes in circulation, deposits, and capital stock not invested in United States bonds, a penalty of \$200 is imposed, which may be collected as in the preceding paragraph. The Treasurer may also, in such cases, assess the association upon the highest amount of its circulation, deposits, and capital stock, to be ascertained in such manner as he may deem best.

V. If an association fails to pay the duties assessed upon its circulation, deposits, and capital, such duties also may be reserved by the Treasurer out of the interest falling due upon its bonds.

VI. The making of any loan upon the security of United States or national-bank notes, or agreeing for a consideration to withhold the same from use—in other words, the “locking up” of money—is made a misdemeanor, punishable by a fine of \$1,000 and a further sum of one-third of the money so loaned; and the officers making the loan are subject to the further penalty of one-quarter of the money loaned.

VII. Embezzlement of the funds of an association by any of its officers, directors or agents, or any false entry by any of them, in any book, statement or report, with intent to injure or defraud the association or any other company or person, is punishable by imprisonment of not less than five nor more than ten years.

VIII. If any officer or agent of an association whose charter has expired knowingly reissues or puts into circulation any note, draft, check, or other security of such association, he is punishable by a fine of \$10,000, or by imprisonment of from one to five years, or by both such fine and imprisonment.

IX. If the capital stock of any national bank falls below the minimum amount required by law, through the failure of any shareholder to pay the whole or any part of the amount of his subscription for such stock, and the deficiency in capital shall not be made good within thirty days thereafter, a receiver may be appointed to close up the affairs of the association.

X. Whenever the lawful money reserve of a national bank falls below the limit required by law, and remains below such limit for thirty days after receiving notice from the Comptroller to make its reserve good, a receiver may be appointed and the bank closed.

XI. A receiver may also be appointed for any association which fails to redeem its circulating notes at its own counter or at the Treasury, at par, on demand.

XII. If an association which accepts any shares of its own capital stock in order to prevent a loss upon a debt previously contracted in good faith (which is the only way in which such stock can be legally acquired by it), shall fail to sell such stock, at public or private sale, within six months thereafter, it may be closed by the appointment of a receiver.

XIII. Whenever an association fails to pay up its capital stock as required by law, or an impairment of its capital occurs by losses or otherwise, and it shall not, within three months after receiving notice from the Comptroller, make good the deficiency by an assessment upon its shareholders, it may, unless it consents to go into liquidation, be placed in possession of a receiver and its business closed.

37. Finally, if the directors of any national banking association knowingly violate, or knowingly permit any of its officers, agents or servants to violate, *any* of the provisions of the national-bank act, all the rights, privileges, and franchises of the association become thereby forfeited; in addition to which, every director who participates in or assents to such violation is held personally and individually responsible for all damages sustained by any person in consequence thereof.

SYNOPSIS OF JUDICIAL DECISIONS.

The synopsis of decisions of the Supreme Court of the United States, and other inferior tribunals as heretofore prepared, is reproduced in this report, but it is not deemed expedient at present to extend it. Within the past year several important cases have been adjudicated in circuit courts which will probably be taken to the Supreme Court and there affirmed or reversed. It is best to await such final results.

In this connection it is proper, however, to note that the case of *Casey, receiver, vs. La Société de Crédit Mobilier et al.*, cited in the synopsis from 2 Woods, 77, under the head of "*Transfers of Assets*," and two other cases in which similar rulings upon similar facts had been pronounced, were reversed by the Supreme Court at its last term; the latter tribunal holding that the attempted pledges on the part of the bank were invalid as against the general creditors. The cases are fully reported in 96th U. S. (6 Otto), pp. 467-496, and are not only important because of the amount involved, but are of interest to bankers and the business public generally, on account of the legal question involved and settled.

ABATEMENT.

- I. An action brought by a creditor of a national bank is abated by a decree of a district or circuit court dissolving the corporation and forfeiting its franchises. (*First National Bank of Selma vs. Colby*, 21 Wallace, p. 609.)
- II. Suit by the receiver of the *New Orleans National Banking Association* (formerly a State organization called the Bank of New Orleans) against a shareholder to enforce his personal liability. Plea in abatement that "at the date of the appointment of said receiver there was not, nor has there since been, nor is there now, any such corporation as said New Orleans National Association, because said Bank of New Orleans had no power by its charter, nor authority otherwise from the State of Louisiana, to change its organization to that of a national association under the laws of the United States."

On general demurrer this plea was held bad, because no authority from the State was necessary to enable the bank to make such change. The option to do so was given by the forty-fourth section of the banking act of Congress, 13 Statutes, 112. "The power there conferred was ample, and its validity cannot be doubted." (*Casey, receiver, &c., vs. Galli*, 4 Otto, p. 673.)

ABATEMENT—Continued.

This plea was also held bad upon the additional ground that "where a shareholder of a corporation is called upon to respond to a liability as such, and where a party has contracted with a corporation, and is sued on his contract, neither is permitted to deny the existence and legal validity of such corporation." (*Ibid.*)

"To hold otherwise," says Mr. Justice Swayne (p. 680), "would be contrary to the plainest principles of reason and good faith, and involve a mockery of justice. Parties must take the consequences of the positions they assume." "They are estopped to deny the reality of the state of things which they have made to appear to exist, and upon which others have been led to rely. Sound ethics require that the apparent, in its effects and consequences, should be as if it were real, and the law properly so regards it."

ACCOMMODATION INDORSEMENTS.

- I. Where bills, indorsed by a national bank for accommodation only, had been negotiated by the bank through its usual channels of communication with its correspondents as its own bills, and the proceeds thereof had been placed to the credit of the bank, which thereupon gave the same credit to the parties for whom it had thus indorsed, and received no benefit therefrom—

Held, That although an accommodation indorsement by a national bank, in such cases, was void in the hands of holders against whom notice of the character of the indorsement could be concluded, yet that the bank was liable for the same to holders, for value, without notice. (*Blair vs. First National Bank, Mansfield, Ohio. United States circuit court for Ohio, at Cleveland, November term, 1875, Emmons, J.*)

Query, whether, under the provisions of section 5202 of the Revised Statutes of the United States, any indorsement by a national bank is not *ultra vires*.

ACTIONS.

- I. A national bank may be sued in proper State court. (*Bank of Bethel vs. Pahquiogue Bank, 14 Wall., 383, p. 395.*)
- II. Such banks may sue in Federal courts. The word "by" was omitted in section 57 of act of 1864 by mistake. (*Kennedy vs. Gibson, 8 Wall., pp. 506-7.*)
Receivers may also sue in United States courts. (*Ibid., pp. 506-7.*)
- III. When the full personal liability of shareholders is to be enforced the action must be at law. (*Kennedy vs. Gibson, 8 Wall., p. 505; see also Casey, &c., vs. Galli, supra.*)
- IV. But if contribution only is sought, the proceedings may be in equity, joining all the shareholders within the jurisdiction of the court. (*Ibid., pp. 505-6.*)
See, also, title "SHAREHOLDERS, INDIVIDUAL LIABILITIES OF," VI, *post*. Judge Swayne says "may," and Nelson, J., says that "*we may sue at law.*"

ATTACHMENT OF ASSETS.

- I. When a creditor attaches the property of an insolvent national bank, he cannot hold such property against the claim of a receiver appointed after the attachment suit was commenced. Such creditor must share *pro rata* with all others. (*First National Bank of Selma vs. Colby, 21 Wall., p. 609.*)
See, also, title "JURISDICTION," II, *post*.

ATTORNEYS.

- I. Section 56 of currency act is directory only, and it cannot be objected by defense that a suit is brought by private attorney instead of the United States district attorney. (*Kennedy vs. Gibson, 8 Wall., p. 504.*)

BY-LAWS,

- I. A national bank cannot by its by-laws create a lien on the shares of a stockholder who is a debtor of the association. (*Bullard vs. National Bank, &c., 18 Wall., p. 589.*)

See, also, case of *Bank vs. Lanier, 11 Wall., p. 339*, cited under "LOANS ON SHARES," *post*.

[NOTE.—In *Young vs. Vaughn, 23 N. J. Equity R., p. 325*, it was held that a national bank could by its by-laws prohibit the transfer of shares by a shareholder while indebted to the bank, and that transfers in violation of such by-laws were void. As it is held by the Supreme Court of the United States that such by-laws can create no lien for indebtedness, it would seem that a regulation prohibiting such transfers can be of little practical use, even if the power exists.]

CHECKS.

- I. The holder of a check on a national bank cannot sue the bank for refusing payment, in the absence of proof that it was accepted by the bank. (*National Bank of the Republic vs. Millard*, 10 Wall., p. 152.)
- II. The relation of banker and customer is that of debtor and creditor. Receiving deposits is an important part of the business of banking, but the moment they are received they become the moneys of the bank, may be loaned as a part of its general fund, and the check of the depositor gives no lien upon them. (*Ibid.*, per Davis, J., p. 155.)
- III. Perhaps, on proof that check had been charged to the drawer, and that the bank had settled with him on that basis, the holder or payee could recover on a count for "money had and received." (*Ibid.*, pp. 155-6.)
- IV. The facts that the bank was a United States depository and the check was drawn by a United States officer to a United States creditor do not vary the rule. (*Ibid.*, pp. 155-6.)
- V. Where a bank pays a check drawn on it, in favor of a party whose indorsement thereon is forged, and the same has passed through several hands, only reasonable diligence is required to be exercised in giving notice to prior holders of the forgery, after its discovery, in order to hold them liable. (*Schroeder vs. Harvey*, 75 Ill., p. 638.)
- VI. A clerk of plaintiffs' received from their debtors checks, payable to their (plaintiffs') order, in payment of sums due. The clerk, wrongfully and without authority, indorsed the names of the plaintiffs on these checks and transferred them to other persons, appropriating the proceeds to his own use. Subsequently these checks were deposited with a bank which in good faith collected them and paid over the proceeds to the depositors. In a suit by plaintiffs against the bank, to recover the amounts so collected by it: *Held*, that the bank was liable. (*Johnson vs. First National Bank*, 13 N. Y. Sup. Court, p. 121.)
- VII. The act of Congress of March 3, 1869, making it unlawful for a national bank to certify checks unless the drawer has at the time funds on deposit to an amount equal to the amount specified in the check, does not invalidate a conditional acceptance of a check by such bank, having no funds of the drawer in its hands at the time, but engaging to pay the same when a draft left with it for collection by the drawer shall have been paid. (*National Bank vs. National Bank*, West Va. St., p. 544.)

CITIZENSHIP.

- I. National banks are *citizens* of the State in which they are organized and located, and when sued by national banks of other States have a right to demand a removal of the suit from a State to the proper Federal court. (*Chatham National Bank vs. Merchants' National Bank*, 4 Thomp. & C. (Thompson & Cook) N. Y. Sup. C., p. 196, and 1 Hunter N. Y., p. 702.)

COLLECTIONS.

- I. A collection agent who receives from his principal a bill of lading of merchandise, deliverable to order, and attached to it a *time* draft, may, in the absence of special instructions, deliver the bill of lading to the drawee of the draft, upon the latter's acceptance of the draft. It is not the duty of the agent to hold the bill after such acceptance. (*National Bank of Commerce vs. Merchants' National Bank*, 1 Otto, p. 92.)
- II. *Woolen & Co.*, bankers at Indianapolis, sent to defendant, a bank at Buffalo, a draft on one Bugbee; also bills of lading for sundry car-loads of lumber. The remittance was by letter, which merely stated that the draft and bills were sent to defendant for collection and remittance of proceeds to plaintiffs, *Woolen & Co.* The draft was drawn by, and to the order of, *Coder & Co.*, indorsed by them, by Mayhew, and the plaintiffs. By the terms of draft the drawer, indorsers, and acceptor waived presentment for payment and notice of protest and non-payment. It was payable fifteen days after its date, and it was admitted that by ordinary course of *transit* the lumber would reach its destination eight days prior to the maturity of the draft. There had been no business transactions between plaintiffs and defendants, save one collection similar to this. Defendants presented the draft to Bugbee for acceptance, and, upon such acceptance, delivered to him the bills of lading. Bugbee failed before the draft matured, and plaintiffs sued defendants for delivering the bills of lading to Bugbee before payment of the draft. It was conceded that the draft was drawn for the price or value of the lumber: *Held*, per Wallace, J., that, the draft being on time, it must be presumed that it was the intent of parties that Bugbee should realize from sale of the lumber the funds to meet the draft at maturity. Therefore, upon his acceptance of

COLLECTIONS—Continued.

the draft, he was entitled to the bills of lading, and defendants were not liable for thus delivering them, but if the draft had not been upon time, a different rule might have prevailed. (*Woolen & Webb vs. N. Y. and Erie Bank*, 12 *Blatchf.*, p. 359.)

- III. The *Corn Exchange National Bank of Chicago* sent defendant, the *Dawson Bank* at Wilmington, N. C., a draft drawn upon one *Wiswall*, living at Washington, N. C., for collection. Defendant by letter acknowledged the receipt of the draft, stating that it had been credited to the *Corn Exchange Bank*, and entered for collection. Thereupon defendant sent draft to *Burbank & Gallagher*, bankers at Washington, N. C., for collection. The latter house collected the draft, but failed and passed into bankruptcy before remitting. In a suit brought by the assignee of the *Corn Exchange National Bank* against the *Dawson Bank* to recover the proceeds of the draft: *Held, per Wallace, J.*, that the latter bank was liable for the amount. (*Kent, Assignee, &c., vs. The Dawson Bank*, 13 *Blatchf.*, p. 237.)

[NOTE.—The court concedes that the authorities are conflicting upon the point involved in this case. In *New York*, *Ohio*, and in *England*, the decisions sustain the conclusion of Judge Wallace, while in *Connecticut*, *Massachusetts*, *Illinois*, and *Pennsylvania*, precisely the contrary rule prevails. The point was made in this case that the law of *Illinois* should control the rights of parties, but it was held otherwise.]

- IV. In an action by G against a bank it appeared that a note was made to G's order, indorsed by him and sent through the house of B, a banker, for collection, and by B indorsed to the defendant bank, "for collection and credit": *Held*, that B, by the indorsement, did not become the owner of the note, and had no right to pledge it, or direct its proceeds to be credited to him in payment of his indebtedness to the defendant bank. (*First National Bank vs. Gregg*, 79 *Pa. St.*, p. 384.)

- V. In such case if the defendant bank had made advances, or given new credit to B on the faith of the note, it would have been entitled to retain the amount out of the proceeds. (*Ibid.*)

- VI. A bank holding a customer's demand-note has a lien upon the proceeds of drafts delivered to it for collection, after the giving of the note, though collected after the filing of a petition in bankruptcy, and can apply such proceeds upon the notes. (*Re Farnsworth*, 5 *Biss.*, p. 223.)

COMPROMISES.

- I. In adjusting and compromising contested claims against it, growing out of a legitimate banking transaction, a national bank may pay a larger sum than would have been exacted in satisfaction of them, so as to thereby obtain a transfer of stocks of railroad and other corporations, in the honest belief that by turning them into money under more favorable circumstances than then existed, a loss, which it would otherwise suffer from the transaction, might be averted or diminished. (*First National Bank vs. National Exchange Bank*, 2 *Otto*, p. 122.)

- II. So, also, it may accept stocks in satisfaction of a doubtful debt, with a view to their subsequent conversion into money, in order to make good or reduce an anticipated loss. (*Ibid.*)

See, also, ESTATE, REAL, I, *post*.

COMPTROLLER.

- I. The Comptroller appoints the *receiver*, and can therefore remove him. (*Kennedy vs. Gibson*, 8 *Wall.*, p. 498.)
- II. The Comptroller's certificate, reciting the existence of the facts of which he is required to be satisfied, to justify the appointment of a receiver, under section 50 of the national-bank act, is sufficient evidence of the validity of such appointment, in an action brought by such receiver. (*Platt vs. Bebee*, 57 *N. Y.*, p. 339.)
- III. The Comptroller must authorize any increase of the capital stock of a national bank; and such increase must be certified by him as prescribed by sec. 13 of the act of Congress providing for the organization of national banks. (*R. S.*, sec. 5142. *Charleston vs. People's National Bank*, 5 *S. C.*, p. 103.)
- IV. The Comptroller cannot subject the United States Government to the jurisdiction of a court, though he appears and answers to the suit. (*Case vs. Terrill*, 11 *Wall.*, p. 199.)

CURRENCY ACT.

- I. The purpose of the currency act was, in part, to provide a currency for the whole country, and, in part, to create a market for the government loans. (*Per Strong, J.*, in *Tiffany vs. Missouri*, 18 *Wall.*, p. 413.)

CURRENCY ACT—Continued.

- II. National banks organized under the act of Congress of June 3, 1864, are the instruments designed to be used to aid the government in the administration of an important branch of the public service; and Congress, which is the sole judge of the necessity for their creation, having brought them into existence, the States can exercise no control over them, nor in any wise affect their operation, except so far as Congress may see proper to permit. (*Per Swayne, J., in Farmers and Mechanics' National Bank vs. Dearing, 1st Otto, p. 29.*)
- III. The constitutionality of the act of June 3, 1864, is unquestioned. It rests on the same principle as the act creating the second Bank of the United States. The reasoning of Secretary Hamilton, and of this court in *McCulloch vs. Maryland*, 4 *Wheat.*, p. 316, and in *Osborne vs. Bank U. S.*, 7 *Wheat.*, p. 708, therefore applies.
- IV. The power to create carries with it the power to preserve. The latter is a corollary of the former. (*Ibid., per Swayne, J., pp. 33-34.*)

DEBTORS OF NATIONAL BANKS.

- I. Debtors of an insolvent national bank, when sued by the receiver, cannot object that pleadings do not show a compliance with all the steps prescribed by statutes as preliminary to the appointment of such receiver. (*Cadle, Receiver, &c., vs. Baker & Co., 20 Wall., p. 650.*)
- II. Such ordinary debtors may be sued by receiver without previous order of the Comptroller. (*Bank vs. Kennedy, 17 Wall., p. 19.*)

DEPOSITS, GENERAL.

- I. The relation between a bank and its depositors is that of debtor and creditor only, and is not fiduciary. Thus, a note deposited for collection, if passed to the credit of the depositor in his general account, then overdrawn, becomes the property of the bank, which becomes indebted to him for the proceeds. Upon the bankruptcy of the bank, the proceeds are assets available to the general creditors. And the fact that the account was made good by other deposits, before collection of the note, makes no difference. (*In re Bank of Madison, 5 Bissell, p. 515.*)
- II. A deposit is general, unless the depositor makes it special, or deposits it expressly in some particular capacity. And in case of a general deposit of money with a banker, a previous demand by the depositor, or some other person by his order, is indispensable to the maintenance of an action for the deposit, unless circumstances are shown which amount to a legal excuse. (*Brahm vs. Adkins, 77 Ill., p. 263.*)

DEPOSITS, CERTIFICATES OF.

- I. A certificate of deposit was issued by a bank for a certain sum, subject to the order of the depositor at a certain date, payable on the return of the certificate:
Held, in an action on said certificate against the bank, brought by an assignee, that there could be no recovery without proof of an actual demand and refusal of payment. (*Brown vs. McElroy, 52 Ind., p. 404.*)
- II. In a suit against the bank, upon a stolen certificate of deposit given by the defendant to the plaintiff, reciting that he had deposited in the bank a certain number of dollars, payable to his order *in current funds*, on the return of the certificate properly indorsed:
Held, first, that the instrument should be regarded as the promissory note of the bank, assignable under the statute (of Indiana), but that it was not negotiable as an inland bill of exchange, being made payable, not in money, but "in current funds"; second, that the payee could recover on said stolen certificate without giving a bond against a subsequent claim thereunder by another person. (*National State Bank vs. Ringel, 51 Ind., p. 393.*)
- III. Where a bank issues a certificate of deposit, payable on its return properly indorsed, it is liable thereon to a *bona-fide* holder, to whom it was transferred *seven* years after it was issued, notwithstanding the payment thereof to the original holder. Such certificate is not dishonored until presented. (*National Bank Fort Edward vs. Washington Co. National Bank, 5 Hun., N. Y. Sup. Court, p. 605.*)

DEPOSITS, SPECIAL.

- I. The taking of special deposits to keep, merely for the accommodation of the depositor, is not within the authorized business of national banks; and the cashiers of such banks have no power to bind them on any express contract accompanying, or any implied contract arising out of, such taking. (*Wiley vs. First National Bank, 47 Vt., p. 546.*)

DEPOSITS, SPECIAL—Continued,

- II. If a banking association, under the national-currency act, has power to assume the duties and obligations of a naked bailee of property, either gratuitously or for hire (as to which point the court does not decide, though apparently inclined to deny such power), it is clearly outside its ordinary business; and it is not within the scope of the general powers or general authority of its executive or ministerial offices to bind such corporation by a contract for such bailment. Therefore, in the absence of proof of special authority for that purpose, delegated by the board of directors, or evidence that such powers have been exercised by their knowledge and sanction, or that such has been the habit and custom of the bank, it is not responsible for property thus received by its cashier. (*First National Bank Lyons vs. Ocean National Bank*, 60 N. Y., p. 278.)
- III. A circular issued by such corporation, inviting the correspondence of other banks, and offering to buy and sell securities for them, is no evidence of a consent, on its part, to become a general bailee and depository of such securities for its correspondents. (*Ibid.*)
- IV. The corporations formed under the national-currency act are banks of deposit, as well as circulation. They are authorized to issue their own notes, and receive from others their money and circulate it. Money so received is termed a deposit, although it has none of the qualifications of a bailment, thus named. There is no trust or promise to redeliver the same money. By the deposit the money becomes the property of the bank, and only the relation of debtor and creditor is created. (*Ibid.*, per *Allen, J.*, p. 288.)

[NOTE.—In the last cited case the cashier of the Ocean National Bank had, at sundry times, received United States bonds belonging to the Lyons bank. Some of these bonds had been purchased by said cashier and the assistant cashier for the Lyons bank. Two or three times, by the order of the latter bank, the coupons of these bonds had been cut off by said cashier and proceeds credited to the Lyons bank. But there was no proof that these transactions were done, or that said bonds were kept in the vault of said Ocean Bank, with the knowledge of the directors. While said bonds were thus kept, burglars broke in and stole them. The court held, and the opinion was unanimous, that there was no difference under the currency act between such a deposit of United States bonds and a deposit of other valuable property, such as plate, diamonds, or jewelry, for safe-keeping, gratuitously. It was a naked bailment of deposit, without reward, and such an act of the cashier as did not bind the bank.]

For definition of the bailment called "deposit," and the liabilities of such a bailee, see *Story on Bailments*, section 4, and sections 61 to 135.

As to special deposits of money with a bank, see *Story on Bailments*, section 88; also *Smith vs. First National Bank*, 99 Mass., p. 605. In this last case there had been a special deposit of gold coin, to be returned when called for. The cashier embezzled the funds: *Held*, that the bank was not liable, as there was no gross negligence on the part of the corporation.

DIRECTORS OF NATIONAL BANKS.

- I. Directors of a national bank may remove the president, both under the law of Congress and the articles of association, where the latter so provide. The power exists if the bank has adopted no by-laws. (*Taylor vs. Hutton*, 43 Barb., N. Y. Sup. Court, p. 195; S. C., 18 Abb. Pr. R., p. 16.)

ESTATE, REAL.

- I. The want of power of a bank, or of its trustee (receiver) in insolvency, to purchase and hold real estate, does not render void an arrangement whereby land subject to a lien in favor of the bank, and to other liens, is discharged of those other liens by funds from the assets of the bank, the land being then sold, and the entire proceeds of such sale realized to the bank assets, provided the title does not pass through the bank or its trustee. (*Zanizingers vs. Gunton*, 19 Wall., p. 32.)

INTEREST.

- I. Under section 30, act of 1864, a national bank in any State may take as high rate of interest as by the laws of such State a natural person may stipulate for, although State banks of issue are restricted to a less rate. (*Tiffany vs. National Bank of Missouri*, 18 Wall., p. 409.)

[NOTE.—In Missouri, natural persons may take ten per cent., but State banks are restricted to eight per cent. In this case the national bank had taken nine per cent.: *Held*, legal.]

INTEREST—Continued.

- II. *Held*, also, that as the action was virtually brought to recover the penalty for usury, the statute (section 30) must receive a strict construction. (*Ibid.*, p. 409.)

See also Title "USURY," *post*.

INTEREST ON CLAIMS OF CREDITORS.

- I. Where a national bank is put in charge of a receiver, under section 50 of the original currency act (R. S., sec. 5234), and a sufficient sum is realized from its assets to pay all claims against it and leave a surplus, the Comptroller ought to allow interest on the claims during the period of administration, before appropriating the surplus to the stockholders of the bank. An action of assumpsit by the holder of such a claim will not lie against the Comptroller, nor against the receiver, but will lie against the bank. (*Chemical National Bank vs. Bailey*, 12 *Blatchf.*, p. 480.)
- II. In such action interest is recoverable on all demands originating in contract conditioned for the payment of interest, and on all demands for money due and unpaid, by way of damages for non-payment after such demands became due. And interest is recoverable on a balance due a depositor in such bank, although he has made no formal demand of payment. (*Ibid.*) But, as to this last point, see the ruling of the Supreme Court.
- III. In the case of *National Bank of the Commonwealth vs. Mechanics' National Bank*, 4 *Otto*, p. 437, the Supreme Court United States, at its last term, decided that a depositor in a national bank, when it suspends payment and a receiver is appointed, is entitled from the date of his demand to interest upon the deposit; that the claims of depositors in such bank at date of suspension for the amount of their deposits are, when proved to the satisfaction of the Comptroller of the Currency, placed upon the same footing as if reduced to judgments; that is to say, they draw interest from the time of such proof and allowance.

It was also decided that, such interest being a liquidated sum at the time of the payment of the deposit, an action lies to recover it, and interest thereon.

JUDGMENTS.

- I. A judgment against a national bank in the hands of a receiver, upon a claim, only establishes the validity of such claim; the plaintiff can have no execution on such judgment, but must await *pro rata* distribution. (*Bank of Bethel vs. Pahquioque Bank*, 14 *Wall.*, p. 383. *Clifford, J.*, p. 402.)

JURISDICTION.

- I. A United States district court has jurisdiction to authorize a receiver of an insolvent national bank to compromise a debt. (*Matter of Platt*, 1 *Ben.*, p. 534.)
- II. A resident (citizen) of Kentucky was a creditor of a national bank located in Alabama, and commenced a suit on his claim against said bank in the supreme court of the State of New York, at the same time attaching certain moneys belonging to said bank, in the hands of the National Park Bank, in New York. Subsequently the receiver of the Alabama bank (which had failed) was, on his own motion, made party defendant to the action pending in the New York supreme court, and pleaded "*want of jurisdiction*," and other defenses. The supreme court overruled his plea to the jurisdiction, rendered judgment against the receiver on the merits, and ordered satisfaction to be made from the moneys attached. Thereupon the receiver filed his bill in chancery in the *United States circuit court* for the proper circuit, praying an injunction to restrain the collection of the judgment rendered by said supreme court, and that the moneys attached be paid to him as receiver.

Held, that, by the provisions of the currency act, the State court was deprived of jurisdiction of the attachment proceedings; that the receiver was not estopped by the proceedings in said State court from asserting his rights in said circuit court, and that he was entitled to the relief prayed for in his bill. (*Cadle, receiver, &c., vs. Tracy*, 11 *Blatchf.*, p. 101.)

(*Vide* Title "RECEIVERS, VII," *post*.)

LOANS ON SHARES.

- I. National banks are governed by the act of 1864, which repealed the act of 1863, and cannot, therefore, make loans on the security of their own shares, unless to secure a pre-existing debt, contracted in good faith. (*Bank, &c., vs. Lanier*, 11 *Wall.*, p. 369.)
- II. The placing of funds by one bank on permanent deposit with another bank is a loan within the spirit of section 35 of act of 1864. (*Ibid.*, p. 369.)
- III. Loans by such banks to their shareholders do not create a lien on the shares of such borrowers. (*Ibid.*, p. 369. See also *Bullard vs. Bank*, 18 *Wall.*, p. 580; and "BY-LAWS," *supra*.)

LOANS IN EXCESS.

- I. A loan by a national bank in excess of the restriction of section 29 of the act of 1864 (Revised Statutes, section 5200), which provides that the total liabilities of any person (borrower) shall not exceed ten per centum of the capital stock, &c., is not void on that account. The loan may be enforced, though the bank may be liable to proceedings for forfeiture of its privileges, &c., for making it. (*Stewart vs. National Union Bank of Maryland*, 2 Abb., United States, p. 424. See also *O'Hare vs. Second National Bank*, 77 Pa. St., p. 96.)

In *Samuel M. Shoemaker vs. The National Mechanics' Bank*, and *The Same vs. The National Union Bank*, application for injunction, &c., United States circuit court, Baltimore, Md., Judge Giles held * * * "As to the first charge in this bill against the defendant, in reference to the amount loaned to Bayne & Co., in violation of the twenty-ninth section of the act of June 3, 1864, I would only say that the loan made under such circumstances is not void; it can be enforced as any other loan made by the bank." * * *

LOCATION.

1. Under sections 6, 8, 10, 15, 18, and 44 of the original currency act (13 Stat. at Large, 101), respecting the location of banking associations, a national bank is to be regarded as located at the place specified in its organization-certificate. If such place is in a State, the association is located in that State. (*Manufacturers' National Bank vs. Baack*, 8 Blatchf., p. 137.)

OFFICERS.

- I. It is the duty of directors of a bank to use ordinary diligence in acquiring knowledge of its business. They cannot be heard, when sued, to say that they were not apprised of facts, the existence of which is shown by the books, accounts, and correspondence of the bank. They should control the subordinate officers of the bank in all important transactions. Therefore, under the circumstances proved in this particular case, they were held liable for the abstraction and sale of special deposit by the latter. (*United Society, &c., vs. Underwood*, 9 Bush, Ky., p. 609.)
- II. The cashier of a national bank, who had executed no bond, embezzled its funds, discovery whereof might have been effected by use of slight diligence on the part of the directory. They, however, published, according to law, a statement of the condition of the bank, which showed that its affairs were being prudently and honestly administered, and from which the public had a right to believe that he was trustworthy. Afterward, persons who had seen this report became sureties on the official bond of the cashier, and for his subsequent embezzlements were sought to be held liable thereon: Held, that such sureties, being misled by the statement, were released. They had a right to believe that the directors, before publishing it, investigated the condition of the bank. (*Graves vs. Lebanon National Bank*, 10 Bush, Ky., p. 23.)
- III. A guaranty against loss for signing as sureties, given by a bank president, without authority from the directors, to those whom he had solicited thus to sign a note, given to the bank to retire a prior note held by it against their principal, is held to be the individual contract of the president, and not binding upon the bank. (*First National Bank vs. Bennett*, 33 Mich., p. 520.)
- IV. A cashier, who has made sale of corporate property, and holds a balance in his hands, is the agent of the board of directors, and not of the respective stockholders, and cannot be charged by an individual stockholder as holding such balance for his benefit. (*Brown vs. Adams*, 5 Biss., p. 181.)
- V. A cashier, without special authority, cannot bind his bank by an official indorsement of his individual note, and the onus is on the payee to show such authority. (*West Saint Louis Savings Bank vs. Shawnee Co. Bank*, 3 Dill, p. 403.)
- VI. Although the cashier of a bank may, in the ordinary course of business, without the action of the directors, dispose of the negotiable securities of the bank, he has not the power to pledge its assets for the payment of an antecedent debt. (*State of Tennessee vs. Davis*, 50 How. (N. Y.), p. 447.)

RECEIVERS.

- I. The receiver of a national bank is the instrument of the Comptroller, and may be removed by him. (*Kennedy vs. Gibson*, 8 Wall., p. 505.)
- II. Such receiver is the statutory assignee of the assets of the bank, and may sue to collect the same in his own name, or in the name of the bank, for his use. (*Ibid.*, p. 506.)
- III. In such suit it is not necessary to make the bank or creditors parties. (*Ibid.*, p. 506.)
- IV. The receiver of a national bank represents such bank and its creditors, but he in no sense represents the United States Government, and cannot subject the government to the jurisdiction of any court. (*Case vs. Terrill*, 11 Wall., p. 199.)

RECEIVERS—Continued.

- V. The decision of a receiver, rejecting a claim against his bank, is not final. Claimant may still sue. (*Bank of Bethel vs. Pahquioque Bank*, 14 Wall, p. 383.)
- VI. The clause of section 50, act of 1864, which prescribes that the receiver shall be "*under the direction of the Comptroller*," means only that he shall be *subject* to his direction, not that he shall not act without orders. He may and must collect the assets. That is what he is appointed for. (*Bradley, J., in Bank vs. Kennedy*, 17 Wall., pp. 22-3.)
- VII. Receivers of national banks are officers of the United States, within the meaning of the act of Congress of March 3, 1815, giving United States courts jurisdiction of actions by United States officers, and may sue in such courts. (*Platt, receiver, &c., vs. Beach*, 2 Ben., p. 303.)
- [NOTE.—The judge places stress upon the provision of section 31 of the act of 1864, which requires (in that particular instance) that the Secretary of the Treasury shall concur in the appointment of the receiver.]

SET-OFF.

- I. In an action brought to enforce the individual liability of a shareholder of an insolvent bank, such shareholder cannot set off against such liability the amount due to him as a creditor of the bank. (*Garrison vs. Howe*, 17 N. Y., p. 458; *In re Empire City Bank*, 18 N. Y., p. 199.)
- [NOTE.—Though these cases were decided by a State tribunal (New York court of appeals), and the rulings were based upon provisions of a State constitution and a State statute, yet the principle they enunciate is recognized and fully affirmed in *Sawyer vs. Hoag*, 17 Wall., p. 610, and *Scammon vs. Kimball*, 2 Otto, p. 362.]

SHAREHOLDERS, INDIVIDUAL LIABILITY OF.

- I. Comptroller must decide *when and for what amount* the personal liability of the shareholders of an insolvent national bank shall be enforced. (*Kennedy vs. Gibson*, 8 Wall., p. 505.)
- II. His decision as to this is conclusive. Shareholders cannot controvert it. (*Ibid.*, p. 505.)
- III. In any suit brought to enforce such personal liability, such decision of the Comptroller must be averred by the plaintiff, and, if put in issue, must be proved. (*Ibid.*, p. 505.)
- IV. The liability of shareholders is several, and not joint. (*Ibid.*, p. 505.)
- V. The limit of such liabilities is the par value of the stock held by each one. (*Ibid.*, p. 505.)
- VI. Where the whole amount is sought to be recovered, the proceeding must be at law; where less is required the proceeding may be in equity, and in such case an interlocutory decree may be taken for contribution, and the case may stand over for the further action of the court, if such action should subsequently prove to be necessary, until the full amount of the liability is exhausted. (*Ibid.*, p. 505.)
- But in *Bailey, receiver, &c., vs. First National Bank Duluth*, U. S. circuit court for Minnesota, Nelson, J., held that even where less than the par value was assessed the suit *might* be at law; and this would seem to be the true theory. *Vide Bankers' Magazine*, April 1877, p. 793.
- VII. In such equity suit, all shareholders within the jurisdiction of the court should be made parties defendants; but it is no defense that those not within the jurisdiction are not joined. (*Ibid.*, p. 505.)
- VIII. Suits to enforce personal liability of shareholders may properly be brought before other assets are exhausted. (*Ibid.*, pp. 505-6.)

SHAREHOLDER, LIABILITY OF TRANSFEREE.

- I. The transferee of shares, when such transfer is absolute on the books of the bank, is liable to creditors to the amount of such shares, although in fact he holds them as collateral security for a loan to the shareholder who transferred them. (*Hale vs. Walker*, 31 Iowa, p. 344.)

[NOTE.—This also is a State court adjudication, but it is believed to be in harmony with the rulings of other high and eminent State tribunals upon the same question.] (*Adderly vs. Storm*, 6 Hill, p. 624, and *Worrall vs. Johnson*, 5 Barb., p. 210.)

[In the *Bankers' Magazine* for January, 1875, is a notice of the case of *Mann, receiver, vs. Dr. Cheeseman*, decided by Blatchford, J., in the United States circuit court, in New York, in which the judge held that until there was a transfer of shares *on the books of the bank* the shareholder whose name there appeared was liable for the debts of the bank; that an actual sale and the signing the ordinary power of attorney on the back of the certificate will not relieve the

SHAREHOLDER, LIABILITY OF TRANSFEREE—Continued.

seller. The learned judge also held that such shareholder could not question the action of the Comptroller as to the necessity of suing the shareholder.] (See also SET-OFF, *supra*.)

In the case of *Bowden vs. Farmers and Merchants' National Bank of Baltimore*, decided by Judge Giles in the United States circuit court, Maryland district, April, 1877, it was held that the defendant was liable, though the shares had originally been transferred to it as security for a loan, which loan had been paid, and though, upon such payment, defendant delivered the certificate of stock to the original owner, with a power of attorney authorizing him to re-transfer the stock to himself.

SHARES OF STOCK.

- I. A national bank whose certificates of stock specify that the shares are transferable on the books of the bank on surrender of the certificates, *and not otherwise*, and which suffers a shareholder to transfer without such surrender, is liable to a *bona fide* transferee, for value of same stock, who produces such certificate with usual power of attorney to transfer; and this is so though no notice had been given to the bank of the transfer. (*Bank vs. Lanier*, 11 Wall., p. 369.)
- II. Shares *quasi negotiable*. (*Ibid.*, p. 369.)

TAXATION OF SHARES.

- I. The act of 1864, rightly construed, subjects the shares of the association in the hands of shareholders to taxation by the States, under certain limitations set forth in section 41, without regard to the fact that part or the whole of the capital of such association is invested in national securities which are declared by law exempt from State taxation. (*Van Allen vs. Assessors*, 3 Wall., p. 573.) (Chase, C. J., and other judges dissented.)
- II. Act thus construed is constitutional. (*Ibid.*, p. 573.)
- III. A certain statute of New York, which taxed *shares* of national-bank stock, declared void, because *shares* of State banks were not taxed, although their capital was; the act of Congress prescribing that shares of national banks shall be taxed only as *shares* of State banks are. (*Ibid.*, p. 573.)
The ruling as to taxing shares of stock reaffirmed in *Bradley vs. People*, 4 Wall., p. 459; *National Bank vs. Commonwealth*, 9 Wall., p. 353.
In last case, *held* that a State law requiring the cashier to pay the tax was valid. *Held*, also, that a certain State tax law virtually taxed "*shares of moneyed corporations*," &c. (*Ibid.*, p. 353.)
- IV. Shares of stock in national banks are personal property, and though in one sense incorporeal, the law which created them could separate them from the person of their owner, for taxation, and give them a *situs* of their own. (*Tappan, collector, vs. Bank*, 19 Wall., p. 490.)
- V. Sec. 41 did thus separate them and give them a *situs* of their own. (*Ibid.*, p. 490.)
- VI. This provision of the national-currency act became a law of the property (in shares), and every State in which a bank was located acquired jurisdiction, for taxation, of all the shares, whether owned by residents or non-residents, and power to legislate accordingly. (*Ibid.*, p. 490.)
- VII. Under the act of Congress of February 10, 1868, enacting that each State legislature may direct the manner of taxing all shares of stock of national banks located within the State, subject to the restriction that the taxation shall not be greater than the rate assessed upon *other moneyed capital* in the hands of individual citizens of such State, and of a certain act of the legislature of Pennsylvania which provided that such shares shall be assessed for school, municipal, and local purposes at the same rate as is now or may hereafter be assessed and imposed upon other moneyed capital in the hands of individual citizens of the State; *held*, that shares of national-bank stock may be valued for taxation, for county, school, municipal, and local purposes, *at an amount above their par value*. (*Hepburn vs. School Directors of the Borough of Carlisle*, 23 Wall., p. 480.)

[NOTE.—In this case it appeared that Hepburn owned several thousand dollars of national-bank stock, the par value of which was \$100 per share, and that it was valued for taxation, for a school tax, at \$150 per share. This assessment was held valid, notwithstanding that by a certain act of the State legislature, applicable to the county of Cumberland, in which the borough of Carlisle was situated, certain specified kinds of moneyed obligations were exempt from taxation, except for State purposes.]

TAXATION OF SHARES—Continued.

See also *Saint Louis National Bank, National Bank of Missouri, Third National Bank, Valley National Bank, and Merchants' National Bank of Saint Louis vs. Papin*, in United States circuit court, eastern district of Missouri, September term, 1876. Also, *Gallatin National Bank of New York vs. Commissioners of Taxes*, supreme court of New York, first department, general term, November, 1876. These latter cases are published in the Bankers' Magazine for December, 1876.

TAXATION OF INTEREST AND DIVIDENDS.

- I. Under the internal-revenue act of July, 1870, interest paid and dividends declared during the last five months of 1870 are taxable, as well as those declared during the year 1871. (*Blake vs. National Banks*, 23 Wall., p. 307.)

LICENSE TAX.

- I. The District of Columbia imposed a *license tax* on all the national banks in the District, the rate being 50 cents annually on each \$1,000 of the capital invested. The *Citizens' National Bank* refused to pay this assessment, and a test case was made in the District criminal court, Mr. Justice Mac Arthur presiding. This court, after full argument, held the tax illegal and void, as being contrary to the mode of taxation prescribed by Congress, which mode was held to be exclusive.

TRANSFERS OF ASSETS.

- I. *When binding.* The receiver of a national bank cannot repudiate a pledge of its assets made by the bank for advances to it, either on the ground that the pledge was not formally executed, or that the transfer was void because not authorized by the charter of the bank, so long as he retains, as assets, the advances, to secure repayment of which the pledge was given. (*Casey vs. Le Société de Crédit Mobilier*, 2 Woods, p. 77.)

A preference of one creditor to another, within the meaning of section 5242, Revised Statutes, is a preference given by the bank to secure or pay a pre-existing debt. Where a person, knowing that a national bank is embarrassed, makes to it a loan, taking as security therefor a pledge of part of the assets of the bank, this transfer does not give him the preference prohibited by the statute. (*Ibid.*)

- II. *When not binding.* Under said section 5242, which declares void transfers of its property by a national bank, made in contemplation of insolvency, and with a view to give a preference to one creditor over another, or with a view to prevent the application of the assets of the bank in the manner prescribed by law, such a transfer is void if the insolvency is in the contemplation of the bank making the transfer, although the party to whom it is made does not know or contemplate the insolvency of the bank. (*Case, receiver, vs. Citizens' Bank*, 2 Woods, p. 23.)

ULTRA VIRES, WHAT IS.

- I. National banks cannot sell railroad bonds for third parties on commission, or engage in business of that character. (*Susan Welcker vs. First National Bank of Hagerstown*, Court of Appeals of Maryland, 43 Md., p. 581.)
- II. In an action of deceit against a national bank, for alleged false representations of its teller in the sale to plaintiff of certain railroad bonds:
Held, That the selling of such bonds on commission was not within the authorized business of a national bank, and being thus beyond the scope of its corporate powers, the defense of *ultra vires* was open to it, and it was not responsible for the deceit of its teller. (*Ibid.*)
- III. The national-bank act confers no power on a national bank to take a deed of trust of real estate as security for a contemporaneous loan; and such bank has no power not conferred by Congress. A sale under such a deed enjoined. (*Matthews vs. Skinner*, 62 Mo., p. 329. See also DEPOSITS, SPECIAL, I, II, III, IV.)

ULTRA VIRES, WHAT IS NOT.

- IV. A national bank took a lien upon real estate to secure a pre-existing debt. Afterward, the bank paid \$500 to discharge a prior lien upon the land, taking a note and mortgage on land in Kansas to secure this advance. Lien and mortgage held valid and warranted by law. (*Orum vs. National Bank*, 16 Kans., p. 341.)
- V. A *chattel mortgage* taken by a national bank to secure a pre-existing debt is valid, and will be enforced. (*Spofford vs. First National Bank*, 37 Iowa, p. 181.)

USURY.

- I. State laws relative to usury do not apply to national banks. (*Farmers and Mechanics' National Bank vs. Dearing*, 1 *Otto*, p. 29.)
- II. The only forfeiture declared by the 30th section of the act of June 3, 1864 (Revised Statutes, section 5198), is of the *entire interest* which the note or bill carries with it, or which has been agreed to be paid thereon, when the rate knowingly received, reserved, or charged by a national bank is in excess of that allowed by that section; and no loss of the entire debt is incurred by such bank, as a penalty or otherwise, by reason of the provision of the usury law of a State. (*Ibid.*)
To same effect are *National Exchange Bank vs. Moore*, 2 *Bond*, p. 170, and several State decisions.
(The *New York court of appeals* had decided the other way.)

APPENDIX.

On the following page will be found a complete index of the numerous tables contained in the report and appendix, and an alphabetical index of the cities and villages in which the national banks whose detailed reports are printed herewith are located appears at the end of the volume.

In concluding, the Comptroller deems it but just that he should gratefully acknowledge the zealous and efficient co-operation of the officers and clerks associated with him in the performance of official duties.

JOHN JAY KNOX,
Comptroller of the Currency.

Hon. SAMUEL J. RANDALL,
Speaker of the House of Representatives.

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